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THE ASSOCIATION OF THE AFRICAN AND MALAGASY STATES WITH THE EUROPEAN COMMON MARKET

by

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ABSTRACT

The Association of the African and Malagasy States with the European Common Market has caused great concern among associate and non-associate members. In view of this, I have in this thesis attempted to examine the background to the association treaties and the status of the Associates. I have also analyzed the economic and political impact and implications of the Association.

In the light of the alarming consequences of the Association, I have outlined some alternatives which might serve to lessen the degree of the implications of this close 'Eurafrican' economic and political relationship. I have finally concluded this study with a pessimistic note that the Association may not improve the economic and social development of the Associate States, and may even hamper their development. This is as a result of the way the Association has developed since the establishment of the Association System in the Treaty of Rome.

I hope that this study will shed some light on these uncertain and uneasy ties which some African Countries have with the European Economic Community.

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Professors R. S. Weckstein and Roy Macridis of Brandeis University, first interested me in the subject during a stimulating Political Economy Seminar on the European Economic Community. To the members of the Economics Department (especially Dr. J. S. Berliner), at Brandeis, I owe a debt of thanks for they were responsible in developing my interest in Economics.

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TABLE OF CONTENTS

PAGE

LIST OF TABLES

LIST OF ABBREVIATIONS

A.A.S.M. = Association of African States and Malagasy

A.E.F. = Afrique Equatoriale Francaise

A.O.F. = Afrique Occidentale Francaise

C.F.C.O.M.= Caisse Centrale de la France d'Outre-Mer

E.E.C. = European Economic Community

F.A.O. = Food and Agricultural Organization

F.E.D. = Fonds European de Developpement

F.I.D.E.S. = Fonds d'Investissement pour le Developpement Economique et Sociale

G.A.T.T. = General Agreement on Tariffs and Trade

U.N.E.C.A. = United Nations Economic Commission for Africa

U.N.E.C.L.A. = United Nations Economic Commission for Latin America

INTRODUCTION

The African countries and the rest of the underdeveloped world are rightly much concerned with their international trade position, because for all of them, international trade is very important as a source of the technological knowledge, machinery, implements, skills, capital, etc., which are essential for their economic development, and for raising the living standards for the masses of the people. Many of them, for example, those associated with the European Economic Community, are very closely knit into the European economy, in the sense that an exceptionally large percentage of their output is exported to Europe and an equally large amount of their total expenditures on capital as well as consumption goods is made on imports from Europe. Furthermore, the ability of the political leaders to fulfill their independence promises depends largely on the nature of the external associations these young countries have with the already developed nations. In fact the pattern and form of any association can create an enormous influence or impact on the pace of economic development and the structure of the newly developing economies. In view of these circumstances it is altogether natural that much attention and concern be given to the association of some African countries in the European Economic Community.

Early ideas about Eurafrica began after the Second World War. Indeed, at the first meeting of the Council of Europe in 1949, the Assembly conceived of an economic area which was to comprise not merely all the West European Metropolitan states, but also the developing countries overseas that had constitutional links with them

including the independent countries of the Commonwealth. Three lines of thought coverge in this proposal:

> "First, the development of such an area as a single whole, and the pooling of its complementary resources were to strengthen the economies of all these countries outside the dollar area; secondly, only such multilateral co-operation could bring the speediest benefits to the people concerned; and thirdly, the development was to be secured by a partnership, decisions being taken not by Europe for Africa, but by representatives of European and African countries together." [1]

Recommendation 18 of the Council of Europe, made in 1949, called for an economic conference representing all the countries of Europe and their overseas associates. When the ministers declined to follow this up, the Assembly itself convoked a group of experts to draw up more concrete plans. Thanks to the mechanism of the French Union, the Assembly from the beginning contained representatives of African countries who now took their share in adopting what came to be known as the Strasbourg Plan.

The Strasbourg Plan was another example of the different strains of thought that mingled in the European Movement at the time. Launched in 1951 - 52 under the impact of the raw-materials crisis and of the dollar deficit following the outbreak of the Korean war, it certainly aimed at convertibility in the long-run. However, for the short-run, it outlined a system of preferential trade between Europe and all the overseas countries that had constitutional links with her.

> "It sought to bring into the relationship those European Countries which had no control responsibilities, and to multilateralize to some extent the relations of the Commonwealth and colonial countries to link them with the whole of Europe, and not only with her metropolis."[2]

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[1] U.W. Kitzinger, The Politics and Economics of European Integration, (New York: Frederick A. Praeger Publisher, 1963) p. 99.

[2] Ibid, pp. 100 - 101.

The Strasbourg Plan called for increased purchases of overseas products by all the European countries, the abolition of quantitative restrictions, lower tariffs (if necessary of the preferential kind) long-term contracts and international raw-materials agreements that would give greater security of income to overseas producers. It called for concerted efforts by all European states to supply the overseas countries with the specialist personnel they require for their development. Lastly, it proposed to set up a European Investment Bank. European countries without colonial responsibilities were through this Bank required to make financial contributions to the economic development, and the unilateral financial dependence of any colony on its metropolis was to be replaced by a Eurafrican partnership.

Although the Assembly voted this recommendation almost unanimously, the colonial powers rejected it at the time. But four years later, the same ideas were adopted - though only by the governments of the Six.[3] The Spaak Report had made no mention of the overseas countries with whom the Six had constitutional links. It was only at the Venice meeting of the foreign ministers in May, 1956, that France by making an association of overseas countries a condition for going ahead with the Common Market project at all, got the question put on the agenda. This is the gist of Euro-African relationships up to the negotiations of the Rome Treaty.

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[3] The Six, which form the European Economic Community, include France, West Germany, Italy, the Netherlands, Belgium and Luxembourg.

CHAPTER I

BACKGROUND TO THE ASSOCIATION

1. French Colonial Economic Policy: Historians are generally agreed that the colonial economic policy of France had its origin in the mercantilism of Jean-Baptiste Colbert, who served as minister of finance during the reign of Louis XIV in the latter half of the seventeenth century. It is worth noting here what a distinguished economist, Professor J. A. Schumpeter, thought of him. In his last and monumental work, *History of Economic Analysis*, Schumpeter gives us this brief but thought-provoking appraisal of Colbert.

> "He was an honest, able and energetic administrator who knew how to raise money, intimidate creditors, improve administrative and renovating methods, stimulate industry, build palaces and harbours, develop the navy, and so on, though he was distinctly unlucky in the execution of his larger plans, e.g., colonial enterprise, the history of which shows that the wastes of public planning may easily surpass anything that on the score of wastefulness, can be changed to private enterprise."[1]

Colbert's interests in colonies were not motivated by dreams of glory and imperial aggrandizement. He did not fear population pressure at home, and saw no need to establish large French settlements in remote parts of the world. His interests in colonies stemmed from a desire to bolster France's fiscal and balance-of-payments position. This fact was clearly seen by Montesquieu, who tells us that in building France's first colonial empire, "the design of the settlement was the extension of commerce not the foundation of a city or of a new empire."[2]

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[1] J.A. Schumpeter, *History of Economic Analysis*, (New York: Oxford University Press, 1954) pp. 147 - 148.

[2] Baron de Montesquieu, *The Spirit of the Laws*, (New York: Hafner, 1959) Book 21, Chapter 21.

To Colbert, the architect of French mercentilism in the later half of seventeenth century, colonies were to serve merely as trading posts. Foreigners were not allowed to trade with them and commerce with France was organised on a barter basis so as to avoid any outflow of specie. It was Colbert's hope that the barter terms of colonial trade would move in favour of France, thereby relieving fiscal pressures at home and improving the chances of achieving a favourable trade balance with other countries. Hence colonies were forbidden to produce goods that might compete with those produced in France. But, as Schumpeter caustically points out, his colonial ventures met with a dismal lack of financial success.

In the changed context of the nineteenth century and later periods, however, the colonial doctrine of Colbertism could not be applied in its original form which was that: (i) trade with the colonies should be monopolized by the mother country, (ii) the colonies should specialize in the production of primary products and (iii) all shipping with the colonies should be under the French flag. It required interpretation. The point to be stressed here is that Colbertist doctrine, when applied to modern times, can be interpreted in two different ways. If attention is focused upon its second premise, its central policy appears to be to prevent colonies from industrializing. If, however, primary consideration is given to the first and third premises, the basic principle that emerges is that of insulation from world market forces. The existing literature on French colonial policy emphasizes the former interpretation; analysis of practical conduct, especially in the field of commercial policy, shows that in reality the former was adopted.

The principle of non-industrialization of the colonies is commonly referred to by the French as the Colonial Pact.[3] This expression carries with it the implication that trades on the basis of which the colonies will remain primary exporters, were invariably disadvantageous for them. Indeed, the point is often plainly made that the fictitious contract should be thought of as one to which the colonies had submitted under duress. Stephen H. Roberts, author of the classic work on the history of French Colonial Policy, puts it quite tersely: "Reduced to fundamentals, the French system is simply subordination."[4] A slogan coined by eighteenth century encyclopaedists was "The colonies have been created for the metropole and by the metropole."[5]

It is now clear to see why during the French colonial administration in Africa, a close "fabric of economic and financial relations had been woven,"[6] first on liberal principles by the sole play of private enterprises; then by the centripetal forces of the excessively self-centered franc zones; and finally by the mechanism of a system of planning which was for a long time automatic with respect to sources of finance and machinery created for the modernization of French overseas territories. There was a close trade integration with the highly protected franc zone, and more than the

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3 The expression is intended to suggest a policy that can be imagined as the result of a contractual arrangement whereby the colonies had agreed to exchange their primary products for French manufactures.

4 S.H. Roberts, The History of French Colonial Policy, (London: Frank Cass & Co. Ltd., 1929) p. 636.

5 See for example, A. Brunchwig, La Colonization Française, (Paris: Presse Université, 1949) p. 11.

6 L.B. De Garbon,"Problems of Economic Development of French language Countries and Territories", E.A.G. Robinson (ed.) Economic Development for Africa South of the Sahara, (New York and London: St. Martins Press, 1963) p. 39

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British or Belgian territories in Africa, the French areas developed within the protected wall. In order to understand why France could not keep her overseas territories out of the European Common Market, we must examine the highlights of French Colonial economic policy.

A. Capital Investment: Real capital formation involved in the development of transportation, communication and health facilities provided by the French could have in principle been provided in any country in one or both of the following ways:

i. the authorities could draw on domestic resources either by restricting current consumption, or by utilizing the idle resources of the countries;

ii. help could have come from abroad.

The African states chose the second alternative because French policy made it possible. Post-war development was accompanied by relatively heavy doses of capital investment, the greatest part being grants from France. From 1947 to 1956, public capital investment, for example, in French West Africa, totalled 170 billion 1956 CFA francs or depending on exchange rates almost $1 billion.[7] Of this total, about 106 billion francs (over 70 per cent) came from the French treasury - most of it from outright grants and the rest in long term and low interest loans at 2 - 3 per cent per annum. The extent of African dependence on France for capital investment funds was probably greater than the above figures suggest. The territories

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7 A.O.F.: Table Economique, (Paris, 1965) p. 336.

were only able to contribute 30 - 35 per cent of total public investment from their own domestic resources, because France undertook to pay for a substantial part of their ordinary administrative expenditures, as evidenced from Table 1.1

TABLE 1.1

Expenditure on Civil Administration. French West Africa, 1958.

(in billion francs)

1.	Expenditures paid from local revenues		40.6
2.	Expenditures paid from French budget		14.25
	Administration and Judges	1.9	
	State Services	6.0	
	Civil and Military Services	3.5	
	Subsidies to Local Budget	1.65	
	Transfer to Metropolitan Budget	1.2	
	Total:		54.85

Source: Direction Générale de Finances, (Dakar, 1958)

The financial relationship between French-speaking Africa and metropolitan France was and is still so complex that it is difficult just to tell how much of the current and capital expenditure has been covered by French contributions. The consequences of this type of investment policy by France in Africa are alarming. It meant that territories continued to depend on French capital for any heavy development program (as the independent states still do

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today). Since all credit was available to Frenchmen, it meant that no African middle class businessmen were encouraged to undertake any business, nor could they buy shares in French undertakings. This type of policy made it difficult for African nationalists to talk of political independence, because they were incapable of making decisions as to how to build a viable economy when the French withdrew.

B. Labour Policy: In this area, French policy concentrated on the use of Europeans in staffing the administrative bureaucracy and in the ranks of skilled and lower level supervisory employees in the public sector of the economy. In compliance with French policy, Africans held an extremely small proportion of managerial responsibility of a limited sort. While this is a general characteristic of all colonial societies, it has been particularly true in Africa. On the one hand, Europeans of no modest attainments were more plentiful in French Africa than in most of colonial Africa. Africanization ensued slowly in Africa because of the haziness of the ultimate outcome of the French-African relationship. The haziness prevented serious thinking about an Africa without the French. Also the nature of French-African politics between 1946 and 1958 made it difficult for African leaders to do anything about it.

Between 1946 and 1958, the European population, for example in French West Africa, rose from 32,000 to

90,000, the great majority being French nationals.[8] Employment in French Africa had a great appeal because wages and salaries were higher than in France. Also, Frenchmen could save a large fraction of their incomes there. To a great extent, these men filled the posts of lower supervisory rank that qualified Africans might have taken over had ther not been Europeans in such great numbers present in French-speaking Africa. Why European employees and the administration were willing to employ Europeans when similarly trained Africans could have been found at a much lower cost is a complicated matter. However, "elements of inertia, race prejudice; strikes in France, social compatibility and a frequently genuine belief that Africans are less productive",[9] might serve to explain this attitude of French administrators.

For the above reasons, responsible posts in French Africa remained exclusively under the control of Europeans. What was true of the bureaucracy was even truer in private industry. Not only managerial jobs were closed to Africans, but also to an extent unmatched outside White-settler Africa, Europeans and Africans were in competition for lower level jobs. A study of the major trading firms in Senegal in 1957 showed that "the middle skill categories contained 600 Europeans and over 300 Africans. The ranks of the sales clerks and secretaries were continually replenished by wives of the French servicemen (or wage earners) stationed in French West Africa. In 1954, there

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8 E. Berg, "French West Africa", Labour and Economic Development, G. Galenson (ed.). (New York: Harper and Row, 1959), p. 258.

9 Ibid.p.259

were some 22,000 Europeans working for wages in West Africa, out of whom some 14,000 were in the private sector."[10]

The consequences of this type of policy stand out clearly. Since it blocked African access to jobs which were taken by Europeans, it hindered the development of African technical and administrative skills and qualities which are invaluable in stimulating economic growth, and in building a viable, efficient civil service in the now independent states of French speaking Africa. Another result which followed this absence of skilled Africans, is that when independence was secured in 1960, the apparatus of government and the administration of private economic activities remained in the hands of Frenchmen. The independence which was handed over to the African territories, was in a sense a sham, since most of the political and all the economic decisions were made by Frenchmen.

C. Trade and Aid Policy: Protectionism and French capital flows in the overseas territories in Africa together created a dense network of internal trade in the franc area, in which France accounted for two-thirds to three-quarters of the foreign trade of each of the countries of French Africa South of the Sahara and Madagascar. Transfers between France and other countries were in a remarkable equilibrium both in the aggregate and with respect to each country. (See Appendix I, Tables 1 - 4) The

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10 A.O.F.: Annuaire Statistique, Vol. 5, (Paris, 1957) p. 128.

tables show the Balance of Payments between France and the various overseas territories in Africa for the period 1953 to 1959. The large "invisible" item in the tables represents freights and all forms of insurance, holiday expenditure in France, investment of the French capital market, the expenses of overseas students and trainees, etc. All these tended to tighten the commercial and financial relations between France and the other countries of the franc area in Africa. French aid which is expressed by the rather high balance of public transfers thus comes back to France and gives work to French firms. The budgetary sacrifice which France made for the sake of its overseas partners in Africa was reduced by the amount of additional tax revenue from incomes created in France by return flow of the aid funds. (Budgetary revenue absorbs some 20 per cent of national income in France.) This mechanism led to a sort of symbiotic development of certain economic sectors in France and overseas.[11]

Because of restrictions on purchases in non-franc areas, West African residents had to pay higher than world prices in French markets protected by tariffs and quotas

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[11] "In many branches, the overseas franc area absorbs more than 50 per cent of exports. This happens in cotton, *staple fibre and printed piece goods, household linen, hosiery goods, sugar, confectionary, beer, vegetable oils, cheese, certain engineering products such as refrigerators; metal safes and furniture, lighting and heating fixtures, lorries; in the chemical industry for soap - 2.3 per cent of the French agricultural population and 5 per cent of the industrial population, 36 per cent of the fixed personnel of the merchant fleet and more than 50 per cent of that of the air fleet - that is respectively, 120,000; 300,000; 20,000 and 10,000 people making up a total 450,000 - work in France to see overseas or to carry passengers and goods to overseas." P. Moussa, L'Economie de la Zone Franc, Series Que Sais-je?, (Presses Universitaires, 1960).

* Sic.

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and exchange controls. Exports often accounted for more than one-third of the national income of the French territories in Africa and Malagasy, or if non-market is excluded, to half of it or more. The years 1911 to 1957 witnessed a tremendous growth in volume of exports to France from French Africa, as indicated by Table 1.2.

TABLE 1.2

Indices of Export Quantum (1925 = 100)

COUNTRY	1911	1938	1950	1957
* A. O. F.	51	193	197	313
** A. E. F.	57	185	182	300
Cameroons	n.a.	299	295	451
Madagascar	42	185	100	140

* French West Africa
** French Equatorial Africa

Source: CF: Bournier, Statistiques du Commerce Extérieur des possessions Française en 1938, Secrétariat d'Etat aux Colonies, 1941

Outre-mer, 1958, Service des Statistiques d'Outre-mer, 1959

In Appendix II, a number of tables show the development of foreign trade in the French speaking African countries since 1950, when pre-war exports were reached once again. It can also be seen from these tables that during the past few years, the terms of trade were generally favourable, though unevenly so for the different countries; the best

year was 1954. Some figures indicating the range of these movements are given in Table 1.3.

TABLE 1.3

Terms of Trade (1949 = 100)

Countries	1950	1954	1957
French West Africa	106	143	120
French Equatorial Africa	112	109	108 (117 in 1955)
Cameroons	109	148	117
Madagascar	145	176	177

Source: Outre-mer, 1958, op.cit.

While exports increased, imports expanded even more rapidly. For example, it can be seen from Appendix II, that all the French-speaking territories together ran up a balance of trade deficit of about 30 billion New Francs on a cummulative value of imports of 88 billion New Francs. The countries under consideration account for 24.5 billion New Francs of these total imports, and their balance of payments deficit comes to nearly 6 billion New Francs. However, if the franc area is excluded, the Cameroons actually had a small surplus in their trade with other foreign countries during the same period, although the surplus amounted to only half their deficit with the franc zone.

In 1953, in terms of value, French West Africa imported one-third more than it exported - 85 per cent of

imports came from the metropolis, to which almost all French West African production was sold.[13] While the agricultural output from French Africa was bought at prices 10 - 15 per cent higher than those in world market, all imports were at prices clearly higher than in the world market: "printed cloth was 33-35 per cent higher than English cloth; machine tools were 40-60 per cent higher than American tools, wheat was 80 per cent higher than world prices and trucks were 100 per cent higher than American trucks."[14] The French African territories thus paid a substantial premium for French imports.[15]

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[13] V. Thompson and R. Adloff: French West Africa, (London: Purnell and Sons Ltd., 1957) p. 265.

[14] Ibid. p. 266

[15] For example, in 1953, Cameroun spent perhaps 5.6 per cent more of her GNP (7.56 million New Francs) on imports than she could have had there not been a protected franc zone which prevented her from purchasing the same goods at lower prices from other countries like North America and Britain.

The figure of 7.56 was estimated as follows:

Percentage of total imports from France 85% (cf footnote 13).

Amount of Cameroon expenditure on imports (1953) 21.9 million New Francs (cf E.A.G. Robinson, Annex 111, p. 165).

Amount of expenditure on French imports in 1953 was $\frac{85}{100} \times 21.9 = 18.615$ or $= 19$ million New Francs.

Total Cameroonian GNP (1953) = 125.6 million New Francs (cf Annex 111)

Percentage of GNP spent on French imports was: $\frac{19}{125.6} \times \frac{100}{1} = 15\%$

If, the French overseas territories in Africa were suddenly to face the winds of open competition with other producers of tropical products in unprotected world markets, they would find themselves in very cold winds indeed, though they would surely recover and face the world competition in more even terms. The price paid and temporary distortions would be great.

D. Economic Planning: The basic principles and methods of operation of the new development drive were laid down in the law of April, 1946, which defined the methods of planning, financing and executing investment programmes designed to fashion the future of millions of people in Africa. The law created an Investment Fund for Economic and Social

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[15] If, in 1953, French prices were 60 per cent (on the average) above prices outside the Franc zone (see footnore 14).

Price relative for French imports	= 160
Price relative for other imports	= 100

$\therefore$ Percentage of GNP that could have been spent on buying same goods from other countries is:

$$\frac{100}{160} \times 15 = 9.4\%$$

Difference between value of French imports and similar imports from outside the Franc zone is:

15 - 9.4 = 5.6% of GNP or 7.56 million New Francs.

Development (F I D E S)[16], to receive and distribute among the overseas territories (for which the Ministry of Overseas France was responsible), all the budgetary funds appropriated for development plans. (See Appendix III, for the distribution of public investment by the FIDES in overseas territories.) A public institution called the Central Finance Corporation for Overseas France (C F C O M)[17] was set up as a financial agent for FIDES. The Finance Corporation had more than the mere passive functions of a financial agent. It was in reality a development bank with wide responsibilities: "It was to help the territories to cover investment expenditures under the development plans; to help local authorities, public firms, and united companies with their development projects, and finally to provide financial aid for the extension or creation of private firms."[18]

The annual plans of the territories formed part of the development programmes extending over several years. There were two development programmes between

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16 French translation of FIDES is "Fonds d'Investissement pour le Developpement Economique et Sociale".

17 French translation of CFCOM is "Caisse Centrale de la France d'Outre-mer".

18 A. Holleaux, Role de la CFCOM dans le Financement des Places des Developpement Economique et Sociale, No. 148, (Paris, 1950) p. 20.

1936 and 1960. These plans were first drawn for each territory separately and then put into effect in agreement with the Ministry of Overseas France, through constant consultation with FIDES. At first, France contributed about 55 per cent to aid the finance of each project. Later, around 1953 and 1954, the grants rose to about 90 per cent, since it became apparent that the territories with their heavy long term commitments for economic and social development and modernization had little resources left to pay loans. The overseas section of the plan never reflected the wishes of the African people, because in practice no African participated in making the decisions as to how the funds should be used or what projects should be undertaken. Consequently, the territorial plans were directed towards French interests without any consideration of whether they were beneficial to Africans or not. Furthermore, this inability of Africans to participate in drawing up the development plans meant that independence came when there were no experienced planners among Africans. Again, the French had to be retained in the Bureaus to do the planning for the states which supposedly had internal political autonomy.

The distribution of scarce resources for development programmes did not meet the immediate needs of Africans, because transportation facilities always absorbed much of the funds, especially in the initial phases. For two

economic plans, covering respectively the periods 1947 - 1953 and 1949 - 1959, and involving much of the same total amounts in constant francs, the percentage distribution was as follows:

TABLE 1.4

Distribution of Development Expenditures

Projects	1947 - 1953	1954 - 1959
Transport, Investment	49	21
Educational and Social Investment	15	24
Mining, Power and Manufacturing	11	25
Agriculture	12	19
Research	6	11
Miscellaneous	7	-
	100	100

Source: Robinson, op. cit. p. 148

The precarious situation of the local economies bears witness to the results of this type of planning. Non-market production still amounts to 25 - 35 per cent of domestic product; a long road remains to be travelled.

To make things worse, there was great pressure from the French public that France's economy could not stand the strain of such a philantrophy, and considerable pressure was exerted to alter the territorial plans in

such a way that immediate returns on investments could be realized. In consequence the funds allocated for social development were curtailed, and those for improving the means of communication and export crops were increased. The credits allocated for the 1947 - 1953 period to French West Africa, amounting to 130.5 billion CFA francs were cut by 15 per cent;[19] and the programmes submitted by the territories were discarded by the FIDES committee. Between 1942 and 1952, "the share of funds for actual production declined from 20 to 18 per cent, and social development budget declined from 27 to 18 per cent."[20] As a result of this policy the towns boomed while the vast impoverished timberland and its inhabitants continued to stagnate in their traditional economy. The year 1952 saw a turning point in the Franco-African relationship. Many African territories, especially the Sudan, were running large deficits. The cost of maintaining roads, railroads, ports, schools, and hospitals built with FIDES funds were getting larger and larger. Incomes were declining on the coastal area of West Africa due to a decline in the prices of their goods and to the high cost of imported goods from France. Six of French West Africa's eight territories could not feed their population. Consequently there was

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[19] V. Thompson, op.cit. p. 255.

[20] Ibid. p. 256

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no alternative than for France to integrate the whole economy of French-speaking Africa to that of the metropole.

2. Economic Factors in the Decision of Independence: Economic dependence on France for money, men and markets is important in understanding the decision of most French African countries to remain within the French Community. When quite suddenly African leaders were given a chance to opt for immediate independence, they hesitated to accept the possible economic consequences, owing to the fact that upper and middle levels of civil service posts were still almost entirely manned by Frenchmen. Their economic resources were insufficient to allow any substantial investment for development, and there was no reason to believe that adequate help would come from non-French sources to allow them to maintain any rate of investment that had characterized the 1946 to 1958 period. The breakup of the federation further meant that the poorer territories could no longer count on the traditional support of the richer ones. For these poorer states, independence from France would mean several cut-backs in ordinary government services. For all the territories, independence involved the possible loss of protection in French markets and perhaps the need to seek new outlets for their exports. But as internal political autonomy grew, so did their economic dependence on France, and in fact, "economic integration developed as fast as political decentralization."[21] For this reason, French Africa and Malagasy came to live in never never land, a place where economic

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21 E. Berg, op. cit. p. 306

decision-making was unnecessary, because key decisions were made in France, and economic responsibility was not a serious concern.

In 1958, French-speaking African territories were called upon to make a far reaching political decision on the nature of the relationship between France and the African territories. The Referendum of 1958, on the Constitution of the Fifth Republic, gave Africans the choice between total independence and internal autonomy within the French Community. Foreseeing the economic consequence, thirteen of the fourteen French African territories voted to remain in the community, whilst lonely Guinea chose independence. Beyond the outcome of accepting total independence, the mystique that guided M. Houphouet Boigny, leader of the Ivory Coast (and others) to accept the constitution of the Fifth Republic was the belief that Africans and the French could show the world a new path in racial and international co-operation. On the other side, the different ideas of Sekou Touré on the future of Africa influenced Guinea's decision to take its independence. But Guinea saw the implications of continuous dependence on France when it was too late. Things had reached such a point where there was no turning back without some disastrous effects. The collapse, therefore, of the Guinean economy, when the French withdrew everything including electric bulbs and telephone wires, did teach the other African countries, which are French-speaking, that they could not manage their economy without French aid and personnel.

The above analysis of French policy in Africa has put light on the decision of the French to bargain on the behalf of her overseas African territories, so that associate status had to be

granted them during the initial Treaty of Rome. The chapter which follows examines the association and status of the Associate states.

CHAPTER II

THE ASSOCIATION AND THE STATUS OF THE ASSOCIATES

1. The French Position: A controversial subject was introduced into the negotiations on the Treaty of Rome when, in 1956, the French government of Prime Minister Guy Mollet demanded that a system of association for dependent territories of member countries for the Six be established. France (from the background of events in Chapter I leading to association) was undoubtedly right in suggesting the system of association. She had granted a large measure of autonomy to her colonies in Africa and Madagascar, and she was faced with the problem of reconciling her membership in the EEC with the economic system established between her and her overseas dependencies. Therefore, technically, how could France simultaneously be part of a European customs union and of a French economic area that lay largely outside it?[1] How, in such a situation, could one prevent other European countries from re-exporting their manufactures across France to the overseas countries produce from travelling duty-free through France and to the rest of the Community?

Secondly, the French argued on economic grounds. A unique burden, from which its other European partners were relatively free, rested on the French economy. It had to provide the finance needed for long-term development in the French African possessions, for administration, schooling, health services, transport, and basic

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[1] U.W. Kitzinger, op. cit., p. 101

energy facilities. In addition, French industry often had to buy its raw materials at a price higher than the world level. How, given these burdens, could French industry compete on an equal footing with the rest of Europe unless her partners bore their share too?

Moreover, some of them, at least Germany, were already beginning to put commercial capital into the immediately profitable enterprises in Africa, which could only be built up on the basis of aid at French public expense. It was doubly unjust for Germany not to contribute to the nonrecoverable initial investment.

The same point could also be put in political rather than in economic terms. France felt that in Algeria she was fighting both "a military and an economic battle on behalf of the whole of Europe and the Western World."[2] Algeria was a problem which the rest of Europe perhaps should not touch. But French investments in Africa, south of the Sahara, were also political investments for the whole of the free world. This burden, at least, she should not be expected to carry alone.

But there were other arguments of a much deeper political nature. Fundamental to the whole Eurafrican concept was the French historical and philisophical predisposition, which held as a matter of doctrine that France extended overseas and that France with her possessions formed a cultural whole. France's civilizing missions

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[2] U.W. Kitzinger, op. cit., p. 102

overseas - so the matter was seen in Paris - could not be abandoned simply because of European integration: "What the French language, French literature, and French philosophy had put together,no European arrangements should sunder."[3]

Lastly, and most obviously, there was responsibility incumbent upon France to make the best terms for overseas possessions. She herself was expecting major long-run economic benefits from entering the Common Market. How could she, at that moment, exclude from those benefits the colonial people in her charge? Moreover, the overseas dependencies could not possibly absorb the shock of having to adjust to the requirements of an integrated European economy unless a system of aiding them was established by the Treaty of Rome.

A straight forward inclusion of the overseas countries in the Common Market would plainly have been impractible. It would have prevented the development of infant industries upset their fiscal systems, which are heavily dependent on tariffs, and could have done nothing to bring their social capital up to the European level. As a result it was association, not inclusion, that was called for.

2. <u>The Position of the Other Five Members</u>: Germany disliked the principle of associating the dependent overseas territories of the Six with the Common Market. The Federal Republic of Germany had no direct responsibility in overseas countries, and politically, the Germans were not anxious to compromise themselves in the eyes of

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3 W.B. Lewis, <u>op. cit.,</u> p. 201

the Afro-Asian world: "Untainted by colonialism since the Allies had so obligingly stripped them of overseas possessions in 1919, the Germans were scoring notable commercial successes in these countries, above all with supplies of heavy equipment."[4] Again, on the economic side they did not cherish the idea of having to give away money for public investment in French Africa. But, finally, Dr. Adenauer, anxious to remove every obstacle to European unity, agreed that the overseas territories be associated with the EEC.

The Netherlands was not particularly happy about the French condition. She, like Germany, disliked the principle of associating the dependent territories with the EEC. She was particularly afraid of jeopardizing her post-colonial policy of establishing relations with the newly independent nations of the world through the intermediary of the United Nations. Belgium , responsible for the Congo (Leopoldville), and Italy, which held the trusteeship of Somalia for the United Nations, supported the French demand. Therefore, a system of association in the Treaty of Rome was designed to establish a commercial preference for the benefit of the associated countries of the Common Market, and to assist them in their infrastructural, social and economic development through the investment aid from the Community.

3. <u>The Associate Status (Rome Treaty - 1957)</u>: According to the articles of the Treaty of Rome, "a preferential treatment of imports from the Associate overseas countries was to be promoted by granting

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[4] U.W. Kitzinger, *op. cit.*, p. 103

them advantages of tariff reductions that under the treaty would apply to the Six member States."[5] Once the common external tariff of the community would definitely have been established, the associated states would enjoy the free entry of their commodities into the Common Market, whereas third countries would only enter the market by getting through the tariff wall established by the Common external tariff.

The Community recognized the obligation, unlimited in time, of member states to contribute.to the investments required by overseas Associates. The European Development Fund of $581 million, limited in the first instance until the end of 1962, was set up by the Treaty of Rome as a multilateral form of giving them nonrecoverable assistance. Appendix IV shows the contributions made by each of the Six to the Development Fund, and the planned allocation to different overseas associates and projects, up to December, 1962. The lion's share of contributions went to French territories as expected, while other members secured very little funds for their former territories.

With regard to trade, the associated overseas territories "were not required to reciprocate the preferential treatment gradually granted them."[6] The Treaty of Rome specifically asserted their right "to levy such customs duties as are necessitated by their need

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[5] J. Van Der Lee., <u>Community Economic Relations with the African Associate States</u>, (Paris: Jan., 1963) p. 17

[6] <u>Ibid.</u>, p. 21

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[1] [illegible]

[2] Ibid., p. [illegible]

of development and industrialization, or are of a special nature, and are intended to contribute to their budgets."[7] This important clause was designed to protect infant industries, in the associated states, against competition from the member countries of the EEC. However, the associated states have lowered their tariffs against manufactures from the EEC (thereby creating a preferential tariff which discriminates against non-members of the EEC). The tariffs of the associated states against the EEC have been lowered by steps beginning in 1959. Madagascar introduced a new tariff which gave free entry to all community products. But commercially, nothing spectacular happened between 1958 and 1963. (See Appendix V, which gives the value - in millions of dollars - of trade between EEC and the Associate States.) Understandably enough, there was no very significant rise in the Associates' imports from the Community as a whole. But more, regrettably, by 1963, there had been no dramatic increases in the Community's imports from the Associates. This is hardly surprising, since the products of the French Associates have traditionally been bought by France herself at highly inflated prices, so that even a 40 per cent reduction in the duties on tropical produce did not make (and has not made) these products competitive on the markets of the other member states of the EEC.

4. The Association in Transition: Legally, the convention setting up the Development Fund came to an end on December 31, 1962. It

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[7] J. Van Der Lee, op. cit., p. 22

was deliberately concluded for a limited period, in order to leave the way open for a revision in the light of new developments. However, a general return to bilateralism in development finance is inconceivable today. Even if one or two member states had wish to do so, other member states would probably have decided against any return to bilateralism, and both African opinion and world opinion generally would militate against it even more effectively. A new arrangement thus had to be negotiated by the end of 1962.

But whatever the legal position of the Convention, the articles which formed an integral part of the Treaty were based largely on a static conception of the political relations between African and the European member states. By the end of 1961, that relationship had evolved beyond all expectations, for most of the associates became politically independent of any member state.[8] The independence of all these countries obviously posed a problem for the Community.

Politically, the newly independent African states did not find the present formula (the terms of association under the Rome Treaty), the most satisfactory from their own point of view. While they were dependent overseas possessions, their association with the Community represented "an escape from national apron strings,"[9] but this limited widening of their economic horizon no longer satisfied them once they became independent states themselves, members of the

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[8] The list is impressive: the Cameroun, the Central African Republic, the Congo, Dahomey, the Gabon Republic, Guinea, Ivory Coast, Madagascar, Mali, Mauritania, the Niger Republic, Senegal, Somalia, Togoland, and the Upper Volta.

[9] U.W. Kitzinger, op. cit., p. 110

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[1] [illegible]

[2] [illegible]

United Nations, wooed by the rest of the world in a manner that remained impossible until their day of independence. They therefore wished to escape from a Community, five of whose Six members were themselves at one time or another colonial powers.

In 1960, therefore, the EEC was faced with the problem of how to "adjust the system of Association to the new status of independence."[10] The Community decided in October, 1960, the date of the expiration of the five year period of investment aid programme. It was also decided that the governments of the associated states, if they wished to do so, accredit representatives with European Institutions in Brussels, and that a bilateral negotiation should take place among the Six and the associated states for the purpose of determining the system of association to be effective from January, 1963.

5. <u>The New Convention of Association and Its Articles</u>: The negotiations provided for by the 1960 decision of the Council of Ministers of the EEC began in December, 1961. A ministerial conference took place during which the ministers of the associated states and of the Six, stated their opinion on the new convention of association. Divergence of opinion existed on both sides. As for the Six, the principal bone of contention was the problem of preferential treatment for the benefit of the associated states. Two tendencies persisted among the Six: Germany and the Netherlands wanted to extend the preferential treatment in order to avoid discrimination against third countries as a whole. France attempted to maintain the same relationship between the associated countries as in 1958, and the EEC, Belgium and

10 J. Van Der Lee, <u>op. cit.</u>, p. 19

Italy took a middle course. The eighteen associated states in Africa and Malagasy were not always united in their views of the future system of association, because political tendencies within the group of associated states ranged from a position of neutralism and nonalignment, to a preference for working closely with the mothercountries - the Six.

The new Convention of Association signed in Yaoundé (Cameroon), comprises five articles or titles which cover trade; financial and technical co-operation; the right of establishment, financial payments and capital transfers; the institutions; and the general and final provisions. These articles can be summarized as follows:

(a) Trade: With a view to promoting an increase of trade between the Associate States and the Member States, strengthening their economic relations economic independence of the Associate States, and thereby contributing to the development of international trade, the High Contracting Parties agreed upon the following provisions which shall regulate their mutual trade relations. First of all, imports from the associated states into the EEC will benefit by the "progressive abolition of custom duties and charges with equivalent effect taking place between the Member States under the Treaty of Rome."[11] The associated states will grant the

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[11] Convention of Association, Yaoundé, 1962, Articles 12, 13, 14, 15 and 17.

same tariff treatment to products originating in all member states. Those states not applying this rule must introduce it within six months of the entry into force of the new Convention. Secondly, each Associate State can introduce tariffs (against imports from the member countries), in order to meet its development and industrialization needs. Thirdly, the Associated countries shall, in the course of four years, abolish all import duties and restrictions on products from the Members of the European Economic Community. Fourthly, Associate States can establish customs unions or free-trade areas, among themselves. On matters of agricultural and commercial policy the Community and the Associated States concerned shall consult together for this purpose. Lastly, in case serious disturbances occur in one sector of the economy of an Associated State (so as to lead to its external financial instability) the State may take protective measures to deal with the disturbances.

Appendix VI, gives the value of trade between EEC and the Associated States between 1964 and 1965; and the old and new rates of common external tariff and tropical products since the new Convention was signed.

(b) Financial and Technical Co-operation: For the duration of the Convention, the Community will make available a sum total of 730 million units of account, 666 million of which will be supplied by the Member States (620 in the form of grants; 46 in the form of loans), and 64 million by the European Investment Bank in the form of loans at a special interest rate of 3 per cent per annum. Of this amount, 500 million are allocated to the new European Development Fund, and 230 million for diversification and production in the Associate States. An amount of up to a ceiling of 50 million units of account can be granted from the cash holdings of the Fund to help relieve the consequences of temporary upswings in the world market price. In order to finance any of the above measures, the Associated State or group of Associated States concerned shall open a file for each scheme or programme for which it is requesting financial assistance. At the same time the Community shall examine the various requests and schemes put forward by Associate States, before making any decisions. Finally, the Association Council shall lay down the general pattern for financial and technical co-operation within the framework of the Association.[12]

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12 Summary of Articles 15 to 28 of the Convention of Association.

(c) Right of Establishment, Services, etc.: Without any discrimination to measures adopted in the implementation of the Treaty, the Associated States have three years in which to place "nationals and companies of all the Member States on an equal footing with respect to right of establishment and freedom to supply services."[13] Services within the meaning of this Convention shall be deemed to be services normally provided against remuneration, in so far as they are not governed by the provisions relating to trade, the right of establishment and movements of capital. Services shall include in particular, activities of an industrial character, activities of a commercial character, artisan activities, and activities of liberal profession, excluding wage-earning activities.[14] Companies within the context of the Convention are those under civil or commercial law, including "Co-operative Societies and other legal persons under public or private law but not including non-profit-making companies."[15] Lastly, the Associated States shall restrain themselves from introducing exchange restrictions that will affect current payment of dividends, and movements of capital.

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[13] Ibid, Article 29.

[14] Ibid, Article 32.

[15] Ibid, Article 33.

(d) Institutions of the Association: In order to give opportunity to Associate States to participate in the affairs of the Common Market and in decisions affecting their status as associated members, the EEC set up certain advisory and administrative institutions of the Association. The Council of Association consists of the members of the Council of the EEC, the members of the Commission, and a member of the government of each associated state. All decisions made by the Association shall be binding upon the contracting parties, who shall make an effort to see that the decisions are carried out. Also, the Association Council shall from time to time study the results of the system of association in the light of that system's objective. The Association Council shall be assisted by the Association Committee. This Committee, which consists of one representative from each member state, and one from each associated state, "shall account for its actions to the Association Council, particularly in matters which have been the subject of delegation of powers."[16] Another institution is the Parliamentary Conference of Association which shall meet once a year. It is composed of members of the European Parliament, and members of the Parliaments of the associated

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16 Ibid, Article 48.

states. The Parliamentary Conference of Association examines the annual report submitted to it by the Association Council, and it may vote resolutions on matters concerning the Association. Disputes (arising from the interpretation and application of the Convention) which are not settled in the Association Council, are submitted to the Court of Arbitration of Association. This Court of Arbitration consists of five members: a President who is appointed by the Association Council and four judges from among persons whose independence and competence can be fully guaranteed. The Court acts by majority vote, and its decisions are binding on all the parties to the dispute.

(e) General and Final Provisions: No treaties, conventions, agreements or arrangements of whatever form or nature between one or more Member States, and one or more Associated States, shall preclude the implementation of the provisions of Convention."[17] According to the final provisions, the Council of Association will be informed of any requests made by any state to become a member of or be associated with the Community. Any request for association with the Community submitted by a country whose economic structure and pattern of production are comparable to those of the Associated States will

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17 Ibid, Article 54.

> be laid before the Council of Association for consultation. The Convention is concluded for five years, and one year before its expiration, the Contracting Parties concerned shall re-examine the provisions which might be made for a further period. Finally, the Convention may be denounced by the Community in respect of any Associated State and by an Associated State in respect of the Community by means of six months' notice.[18]

6. <u>An Analysis of the New Convention</u>: The new Convention would seem to be an improvement on the old system that had existed so far. It has been concluded again for five years, and will have to be re-negotiated again in 1967. The Convention undertakes to "reduce the common external tariff on tropical products by 25 - 40 per cent, thereby decreasing discrimination against third countries.[19] The Associated States were disposed to follow this line of policy because they felt that this would be in the interest of gradually promoting equal treatment in matters of trade and commerce of those regions which have the same economic structure. The logical consequence of this decision was to enable such countries to participate in the new Convention. Under this new system it became possible, for example, for Commonwealth countries in Africa and the Caribbean area to participate in the Convention and thereby obtain free entry of their commodities in the Common Market.

After having examined the old and new Conventions which associated African states with the EEC, I will then proceed in the next Chapter to analyse the economic and political impact and

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[18] <u>Ibid</u>, Article 62.

[19] J. Van Der Lee, <u>op. cit.</u>, p. 21.

implications of the system of association which has tied African economies to Europe since 1958.

CHAPTER III

IMPACT AND IMPLICATIONS: ECONOMIC

It must be remembered that, although at first glance, association may be beneficial to the countries concerned, it has not been determined whether African countries' most expedient path to development lies in association with the EEC. Their association with the European Common Market has to a large extent intensified the existing pattern of trade of these emerging African countries; it has partially dictated the pace at which their economies are growing, and more than this, it has also influenced the structure and pattern of production in these poor countries. Consequently, the association has various economic reprecussions on the non-associate and associate members of the European Union.

1. <u>The Non-Associates</u>: On economic grounds, it cannot be disputed that preferential treatment of the EEC's associates is potentially harmful to the non-associate African nations. Although the introduction of the new EEC tariff pattern is claimed not to affect prices of African products within Europe, (and therefore leave European consumption of these goods unchanged), it will redistribute the sources of these products by simple discrimination. If the associated members are to receive higher prices in a guaranteed market, this will certainly upset the existing trade patterns for the non-associate states. For example, cocoa from the Ivory Coast will eventually enter the EEC free while cocoa from Guinea or Ghana will face 9 per cent tariff,[1] and hence these countries will suffer a decline in the demand for their cocoa, as well as a fall

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[1] cf. EEC Document (No.2.227/pl/65-E, January, 1965) which gives reduced common external tariff rates for certain tropical products.

in world price. Thus, since surplus will certainly occur as a result of preferential tariff policy, the artificially high prices and guaranteed market will induce overproduction in associated states. This will in turn precipitate a world surplus and therefore a fall in world prices, which will indirectly affect the non-associates which have no preferential market to sell their tropical products.

In view of the above, economic frontiers and customs barriers created by the association and the old colonial boundaries would check any genuine move towards regional integration in Africa. The States left outside the Association would be likely to sabotage any bold local schemes for better communications, more rational transport and power systems and for better coordinated planning. In addition, such small buffer states as Upper Volta or Dahomey and Togo would come under fierce economic pressure from their neighbours which are not associated with the EEC. At the African end of the axis, the whole procedure looks unmistakably like a recipe for unsettled economic frustration.[2]

2. Imports and Non-Discrimination: The instability of the present position, and of the outlook for the African countries associated with the Common Market, has been aggravated by the impact of the establishment of the Common Market and the uncertainty surrounding its emergent policies. The trend towards the relaxation of zonal preferential arrangements towards world-wide, non-discrimination and freer international exchange (which, of course, does

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[2] I am indebted to Barbara Ward Jackson and T. Balogh for this idea. See B.W. Jackson, "Free Africa and the Common Market" Foreign Affairs, Vol. 40 (April, 1962) pp. 419 - 430.

not necessarily mean an advantage for the less developed countries but might on the contrary, work out to their disadvantage), was sharply challenged by the establishment of the Common Market in Europe.

In a special study, the United Nations Economic Commission for Africa[3] found that the introduction of the Common Market tariff was unlikely to change consumer prices and consumption in the member countries. The effectiveness of the Common Market's tariff discrimination in favour of the Associated African areas would therefore depend on its impact on African production. In weighing this effect, it must be born in mind that in negotiating the Convention in 1962, it was the French who found themselves in a relatively weak position in contrast to the situation at the moment of the conclusion of the original Convention and the Rome Treaties. Then the French could make their joining the Common Market, which the Germans desired acutely, conditional upon the latter agreeing to share the burden of maintaining the former's African empire. "German rearmament had not begun, and the Germans were still eager to acquire equal status with one of the former victors of the Second World War and thus strengthen their position in the Atlantic Community."[4] At present, the Germans are in a stronger position. They have to make contributions in the field of commercial policy and in giving aid. The German interest in the matter, however, is different from that of France. At the

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[3] E.C.A. E/CN. 14/72,(December 7, 1960). Also, the F.A.O., <u>Africa Survey</u>, which made extensive use of the former.

[4] T. Balogh,"Africa and the Common Market", <u>Journal of Common Market Studies</u>, (Vol. 1-2) 1962 - 1964, p. 80.

same time the main French motive in helping Africa, the maintenance of her former empire under the new guise of a Community, has also weakened because African countries in the meantime have become totally independent. Thus, it is not unlikely that the character of the Association may change in the direction of Germany's conceptions, that is towards a more liberal treatment of imports from outside areas.

Thus, this change in European power balance may have far-reaching consequences on the volume of imports from African states associated with EEC. If Germany comes out triumphantly, the policy of non-discrimination between imports from associated states will cease so far as quotas and customs duties are concerned. The sacrifice made by the associated countries cannot therefore be underestimated, because entry of third countries would mean a reduction in volume of exports from the associated states in Africa to member states, and tropical products from these countries may have to face intense competition.

3. Protection and Industrial Development: According to Article Three of the New Convention of Association, "each Associated State may retain or introduce customs duties and changes having an effect equivalent to such duties which correspond to its development needs or its industrialization requirements or which are intended to contribute to its budget."[5] On their part, however, the African territories have as yet not made any use of the special concessions of imposing or maintaining duties to stimulate development. The only snag is that any measure of this kind has to be sanctioned by the Common Market Commission -- while the EEC powers are busy try-

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[5] Convention of Association, op. cit., Article 3.

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ing to force their manufactured goods into Africa -- this is really setting a thief to catch a thief.[6]

The question is difficult to answer whether this failure to make use of the escape clauses in favour of economic development is the result of deliberate economic policy motivated by the fear that the Common Market partners would, despite the Rome Treaties, not continue to give African countries tariff preference in their market, should the latter try to exclude European manufactured goods to any extent.[7] In the case of most territories it is probable that the failure is at least accounted for by the failure to appreciate the importance of the privileges, by the lack of technical knowledge on the part of the new political leaders which puts them into the hands of their (French) political advisors; and lastly by the continuous instability of these countries to make effective use of protection. They have neither the technical ability nor sufficient capital to establish new industries. Metropolitan private enterprise was withdrawing capital as a result of loss of confidence. In most countries in Africa, there has as yet been no inclination to substitute public for private enterprise.

It is not improbable that the African leaders of the newly independent territories will soon begin to realize the implication of the failure to make use of the escape clauses of the Convention and will seek reassurance about the intentions of the European highly developed countries. Investment and development

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[6] I am indebted to Jack Woddis for this idea. For further details, see <u>Africa: The Way Ahead</u>, by this same author.

[7] Jackson, Balogh and Rivkin hold this view, which I also share with them.

plans would then have to be readjusted in order to safeguard growth of industry in the African territories.

At that point the newly developed African States will be confronted with difficult choices: They can negotiate singly with the European countries; or they can use one of the many, often conflicting, co-operative organizations -- intergovernmental or supranational -- to negotiate collectively or at least as groups of countries. They would then have to draw up a common plan for economic development. The choice will have far-reaching consequences on the extent and pattern of a possible industrialization programme.

4. <u>The Common Market and the Demand for African Products</u>: The Economic Commission for Africa concludes[8] after a lengthy analysis, that there is no reason to suppose that the changes implicit in the establishment of the Common Market would have important consequences on consumption patterns in member countries. In those fields in which such consequences might have been of importance, e.g. the abolition of import duties on coffee and tea, the stimulus to demand has been counteracted by increasing indirect domestic taxation. Thus it is improbable that the establishment of the Common Market as such will cause any appreciable changes in total demand unless member countries could be persuaded to change their tax policy.[9] The net effect on both associated countries and

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[8] E.C.A., <u>op. cit.</u>

[9] For example, the German consumption tax on coffee brought in $180 million in the single year 1959 -- almost what Germany has to contribute to the Development Fund in the whole of five years. (cf. Kitzinger, p. 117)

their outside competitors would then be determined by its impact on the supply of African products.

The Common Market Commission in its proposals for renewing the Convention governing relations with the Associated Countries, foresaw that a rift might develop between those member countries (especially Germany and Italy) whose interest is centred on increasing their exports to under-developed countries outside the associated area, and France whose trade was more confined to it, i.e. to her erstwhile Empire, unless total European demand would increase sufficiently to offset the consequences of the new preferential system on total supply. The importance to Germany of the South American or Asian market is a multiple of that of the so-called associated territories, even including potentially the English-speaking African areas. Germany has already shown its sensitivity in this respect in making full use of the possibility provided in the Rome Treaties to grant import quotas on favourable conditions to countries outside the associated area.[10] The European Commission hoped to overcome these difficulties by proposing the abolition of all internal indirect taxes on tropical products, especially cocoa and coffee. In the renewed negotiations the Germans, whose reliance on those commodities (considered as "luxuries") for taxation is marked (somewhat akin to, but perhaps medically less justifiable than, the Anglo-Saxon tax dependence on alcohol and tobacco), have not shown any marked enthusiasm in accepting this proposal. German bargaining power

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[10] This is the main method favoured also by the British Government in reconciling the interests of the Commonwealth with Britain's entry into the Common Market.

has much increased in repect to these matters. It is, therefore, probable that they will try to and succeed in limiting the extent of duty on tropical products in order to minimize any diversionary effect on the supply side of the Common Market tariffs due to the exemption of the associated areas.[11]

It seems obvious, however, that the best service to the European Economic Community can in fact render to Associate areas in the commercial field (apart from the provision of aid in terms of resources and of technical knowledge) is through

(a) limiting indirect taxation of the produce of the poor areas, i.e. avoiding special measures likely to diminish the demand for these products;

(b) avoiding any general policies which might diminish or interrupt the expansion of national income. As most of the tropical products are in the semi- or luxury class, increases in income are likely to have a high income elasticity in Western Europe which is still in a phase of its general development where the demand for such products is by no means saturated (as it increasingly appears to be in the U.S.).

A decrease of customs duties which is offset by an increase in other indirect taxes on the same product, is unlikely to have any comparable influence for the favoured territories. Should joining the Common Market preclude arrangements with third countries (especially the Communist orbit) by which the latter

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[11] Balogh, op. cit., p. 91.

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undertake large-scale bulk purchase, the net advantage of being associated with the Common Market would be diminished.[12]

5. The Supply of African Products:

(i) The effectiveness of preference

The production of the Associated Territories does not exceed the demand of the European Common Market countries as a whole for these products.[13] The preference granted by abolishing customs duties on Associated Territory products will thus be effective. But the degree of effectiveness depends (a) on the height of the Common European Tariff, and (b) on the responsiveness of the supply.

It should be noted, however, that the problem whether a serious diversionary effect will be experienced is very much complicated by the pending negotiations of the U. K. Government with the Common Market countries. Should the English-speaking territories be permitted to become associated territories the effectiveness of the preference will cease (except perhaps in the case of coffee) because the output capacity of the associated areas as a whole would then exceed the current import requirements of the Common Market area, even including Britain.[14] Moreover, the exclusion of a few Spanish and Portugese territories, as well as the Sudan, will then seem even less defensible than would otherwise be the case; and

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[12] Except by profiting from the rise in the world market price.

[13] For example, out of 334.7 (thousand metric tons) of cocoa beans, imported by the EEC from Africa in 1962, 150.1 (thousand metric tons) came from Ghana, a non-associate state (cf. E/CN 14/345. Jan.1965 p7).

[14] Thus, in 1962, the EEC imported only 43% out of 80.2% of total African exports to industrialized countries(19.4% went to U.K.) (cf. E/CN 14/239, Jan. 1964 Table A.II. 4 p.12).

the rest of the under-developed world would have increased reason to complain of the failure to let them share in the non-commercial benefits of the Association.

(ii) The unimportance of tariffs and preferences

In the conventional analysis of the problem raised by the establishment of a preferential duty system such as the Common Market, two peculiar aspects of the situation in poor countries are usually neglected which have become increasingly important.[15]

The first is the acceleration of the technical revolution and its spread to agriculture. The second is the marked instability of markets of primary commodities which makes it difficult to deduce from the relative magnitude of preference its effect on production.

(a) Technical revolution

Simple technical improvements such as effective pest and fungus control, modification of the shade tree system, careful weeding and application of fertilizers, can increase production, even of tree crops dramatically in the short run.[16] The issue will mainly depend on inducing social dynamism and not on having to replan the producing framework on the basis of heavy investment, e.g. irrigation (though in the long run great additional advances can be obtained in that way) or to extend product-

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15 Balogh, <u>op. cit.</u>, p. 91.

16 cf. The Technical Part II of the F.A.O. Report, <u>op.cit.</u>, pp. 44 - 47.

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ion into less suitable soils. If the politico-social effort to induce peasants to make use of technical knowledge which is in principle abundantly available is successful, rapid and startling increases in production are possible.[17]

In these conditions the variation of the price by a relatively small margin of 3.6 per cent on cocoa, 6.4 per cent on coffee,[18] and 10 per cent on bananas,[19] implicit in the Common Market tariff provisions, must be viewed primarily from the angle of whether the social flexibility on which the adaption of improved techniques depends will be similar in all areas. If that were so, the impact of the Common Market tariff[20] might be felt on the non-associated territories. Even a small divergence, however, in social adaptability and political leadership would far outweigh the effects of the Common Market tariffs, traditionally analysed in a static work, by dynamizing the system and achieving in the progressive areas far greater cost cuts than the preference granted. Thus it is likely that technical progress

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17 The case of cocoa production in Ghana or the success of certain oil palm plantation experiments adequately illuminate the point. Annual crops have equally important potentialities. Cereal and cotton production, as well as groundnuts, have shown marked response rates to improved techniques.

18 cf. Appendix VI; Table 2.

19 Balogh, _op. cit._, p. 98.

20 As against the influence of grants.

will dominate the prices and the relative export capacity of African areas.

A greater effect might perhaps be hoped for in the processing of tropical agricultural products from the establishment of the Common Market, because tariffs and thus the preferences granted by the circumstances are larger and the instability of markets less. The Common Market tariff on cocoa semi-manufactured for instance, is between 22 and 30 per cent as against a proposed 4.5 per cent on cocoa beans.[21] In the case of vegetable oils, the tariffs are even higher. The same applies to simple manufactures of metals, e.g. aluminium, and also to cotton goods. Thus the production of simple manufactures in associated territories might in principle be stimulated -- provided a start can be made.

(b) Price instability

The second factor, the implications of which are usually neglected, is that of price instability. Before Marketing Boards and (in the French zone) stabilization schemes were instituted, it would have been impossible to argue that the impact of a small differential in favour of a certain geographic area would very much alter the supply position of that area relative to other areas. The overall risk of fluctuation in prices was so much greater than the possible benefits derived from the preferential advantage. The establishment of Market-

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21 Balogh, op. cit., p. 95.

ing Boards had a twofold effect. It first of all reduced the imperfection of the market. The up-country producer is no longer in the dark about the price ruling in the world market. This is by far the most important consequence as it has cut the margin extorted from the peasant. The traditional analysis of the policy of the Marketing Boards neglects this fact, which explains why the peasant has been satisfied with the new system despite the withholding from him, in many countries, of a large part of the world market price, in order to finance development or the improvement of production techniques. By varying the margin withheld, Marketing Boards, in the second place, reduced price fluctuations to the producer, and thus also the supply, in both upward and downward directions.

Nevertheless the range of price fluctuations which have been permitted to affect producers in both the sterling and the franc zone has been greater than the impact of preferences.[22] Under these conditions it is difficult to argue that the preferential system would have a very significant impact. The overall changes and uncertainties are so much greater than the impact of tariffs that it would be more rational to base the

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[22] For example, the price of 1st. Grade Robusta Coffee from Ivory Coast fell from 32.8 ¢/lb in July, 1964 to 27.5 ¢/lb in December, 1964. (i.e.15% fluctuation as against 64% variation in tariff) (cf. EEC Document no.2. 227/p.1/65-6. p.4.)

analysis on this particular feature of the situation.[23]

6. The Problem of Restriction: On the other hand, the impact on a relatively static consumer demand of the possible revolution in production techniques might indeed be dramatic. Prices might decline sharply, and it is from this point of view that collaboration between African territories might be considered advisable, if not essential. This problem is exceedingly complicated.

(a) A number of countries have embarked on efforts at diversifying their production. In some cases this has proved to be of considerable economic advantage as the new crops introduced are highly profitable. Obviously it was lack of information and technical knowledge which had prevented these being introduced earlier. This also applies to cases where certain specific areas were able to increase their share in the world market of a commodity the production of which is relatively profitable. Generally speaking, however, tropical primary producers as a whole would find it difficult to diversify their production. One country will tend to increase the output of a commodity which others are restricting without much net gain. This is happening in Africa at the moment.[24]

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[23] The restriction of certain profitable crops also increases income inequality in the restricting country, unless licenses to grow the restricted quantities at higher prices were taxed (or auctioned) and potential producers who would have to turn to less profitable crops were duty compensated. The éffect of this restriction scheme is usually neglected.

[24] I am indebted to Professors Balogh and Rivkin for this argument. See A. Rivkin "EEC and Africa", West Africa, March, 1961.

(b) There can be no doubt that primary producing countries could, as a whole, benefit by a restriction of production, in the sense of being able to increase total export proceeds, owing to the relatively low level of elasticity of demand for such commodities. Whether this policy is, in fact, justified for individual African countries, or a group of countries, is not clear, because of the internal implications of a restriction scheme on the one hand, and the relationship between dynamic and non-dynamic countries on the other.

(c) The internal repercussions of a stabilization scheme might be awkward.

(i) The production of commodities which form the international trade of the primary producing countries, i.e. mainly cash crops, non-subsistence food and raw materials, may be (and in most cases are) still by far the most profitable crops in almost all these territories.[26] Its increase, especially if it happens as a result of the spreading of cultivation of a relatively profitable crop over a wider area, represents an increase in general prosperity, even though the income of some will not rise as much as it would otherwise have risen, because the price would not be as high as it was before production increased.

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26 For example, in 1962 exports of oil-seeds from African countries amounted to 22 million metric tons or about a quarter of world trade. Africa's share of world trade in oil-seeds was thus nearly three times as her share of world production.

No doubt a point arises where the increase in productivity no longer matches the decrease in price so that even then, producer's net income falls, if the increase comes from the widening of the circle of producers, an intricate question of welfare arises in the sense that the absolute worsening of the position of some products will be offset by the absolute improvement of others. The production of coffee or cocoa, tea, and to a lesser extent cotton, might yield anywhere between five and ten times as much as would the production of kassava or maize. The markets for the latter are quite undeveloped, and the middleman's charges are exhorbitant. Thûs the cocoa farmers in Ghana and the palm oil farmers in Nigeria are really the aristocrats among the poor peasantry.[27]

(ii) A restriction scheme could, of course, be operated in such a way as to restrict everybody so as to give a general distribution of the available quotas to all possible potential producers.[28] Unfortunately the administration of such a quota scheme in most of these countries would really come up against insuperable obstacles.

(iii) The only practical way of restricting output may be by lowering the internal buying price,[29] or putting a tax

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[27] Balogh, op. cit., p. 99.

[28] I am indebted to Barbara Jackson; L. Metzler and A. Rivkin for this suggestion which I have put forth here.

[29] Balogh, op. cit., p. 100

on the commodity. While this would still leave rather large scope for evasion, it would be more practicable than a straight restriction scheme, but it would mean a discrimination against the less favoured producers who are already poorer than the more favoured ones, and drive out of production those in the marginal areas where the average income per head is, in any case, lower. Thus a restriction scheme might exacerbate social relations by discriminating in favour of the older and more prosperous classes in the community.

(d) The budgetary implications of restriction represent yet another aspect which has to be carefully considered.[30] The advantage gained by an increase in production at the cost of lowering the price is somewhat offset by the fact that export duties are based on price and not on tonnage, and that it would be difficult to base them on tonnage alone (though a mixture might be attempted), because the political implication of a tax which reduces producer's incomes below the level to which they are accustomed is very different from the psychological impact of a taxation measure which merely creams off windfall profits. This means that an increase in price will benefit the development fund whereas a fall in prices

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[30] This is largely drawn from T. Balogh and L. Metzler, plus A.R. Prest who is an authority on Public Finance.

will tend to reduce it.

A conscious effort at development on the basis of investment, financed by foreign contributions or a budget surplus, can start off cumulative increases in the national income while the increase of incomes of a group of privileged producers which increases it by the same amount might not have this effect. The increase of income might not be saved by the favoured producers. Thus the advantage gained by having a large number of producers benefiting from the production of a crop which is very profitable, such as cotton or cocoa, might be offset by the generally depressing influence on the spread of development of the public finance implications of the fall in price, if at the same time the tax system was not made more flexible and was not adjusted to incomes instead of simply to prices. While these considerations might tend to favour a policy of restrictions, they do not do so without qualification. In any event, the choice cannot be made for reasons of budgetary policy alone.

(e) Not the least of the difficulties is, however, on the international side, caused by the uneven character of social and technical progress. The scientific advance in production methods of most of these commodities has been startling in the last few decades, and little of this advance has yet been embodied in widespread production practice.

From this view-point African countries can be classified into four types.[31] In the first place there are the stagnating countries and the dynamic countries, and in each type there are countries whose production is small and countries whose production is large relative to the world market. Stagnating countries, from this point of view, are not necessarily countries which are stagnating overall, but countries whose ecological conditions are such as not to favour an easy increase of the production of the specific commodity under discussion. They might in other respects be eminently progressive.

Generally speaking, progressive countries have little interest in concluding restrictive agreements which would force them to forgo an increase or even to accept a decrease in their share of the market.[32] The more rapid the fall in their costs (the increase in their productivity), the less is their advantage. If they are small, they would benefit even less from a restrictive agreement (unless they face very large dynamic competition) because for any increase which they might produce they would be able to find markets at unchanged prices. Stagnating large producers would obviously benefit most from restriction, and stagnating smallish producers less.

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31 Balogh, op. cit., p. 100

32 Balogh and Metzler hold the same view.

Given the rapidity and extent of the changes in production techniques and possibilities, it is probably wise not to advocate output restriction agreements, "especially to small countries which do not now produce much of the high-value crop, if that crop is relatively profitable, given their resources."[33]

(f) These considerations make it clear that, from an internal view-point, commodity policy ought to concentrate on increasing cash crop production which is desirable from the nutritional point of view, the domestic demand for which can be expected to rise with accelerated development, and those which permit a cut in imports. So far as export crops are concerned the problem is complex. An indiscriminate increase in production, not associated with a better balance of income earning capacities in the country, cannot be advocated. On the other hand, dynamic countries with fast-falling cost can certainly not be advised to accept restriction schemes merely because prices might otherwise decrease.

From this view-point, too, association with the Common Market does not seem to offer considerable advantages.[34]

We might conclude this section by saying that the

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[33] Balogh, op. cit., p. 102

[34] This view is also expressed by B.W. Jackson, T. Balogh and L. Metzler.

Association of African territories with the Common Market does not from a commercial view-point, bring such advantages as to determine the outlook for the participating or unfavourably for the non-participating countries. The problem of joining the Common Market must, therefore, be discussed from the view-point of its net impact effect on the industrialization programme, because it is more and more evident that the status quo represents an almost complete lack of industrialization, and it is not likely that agricultural development, decisive as it will be for the standard of life of Africa over the next decades, can without some parallel industrial development help them to attain a considerably higher level of living.

7. The decisive importance of industrialization: Association with the Common Market exerts an influence on industrialization. In the first place the implementing Convention provided for the establishment of a considerable Fund to contribute to the development of the associated territories. The Commission in its proposals for the renewal of the Convention envisages a substantial expansion of this aid. On the other hand the terms of Association might severely limit the liberty of action of African countries accepting these obligations. In this respect the provision (Article 132, § 2) that associated territories must not discriminate between any member of associated area, might be damaging, as it might inhibit the formation of a large enough unit in Africa to be able to undertake effective industrial development.

(i) The needs of infant industries

The first impact of the formation of the Common Market is through its rules affecting policy on infant industries, and possibly on bilateral aid agreements with Soviet and other countries (e.g. Japan) outside the Common Market.[35] It is questionable whether single African states with whom France and the Common Market countries have been negotiating are able individually to pursue a really constructive industrial policy.

In the first place it is not certain that the Common Market countries, especially France, would continue to grant privileges which they are now intending to grant if the African countries are showing any signs of making effective use of the escape clauses, industrialize and thus exclude Common Market products from their territories.[36] It stands to reason that pressure from the highly industrialized countries will remain in favour of the African territories not industrializing.

In the second place, it is manifestly uneconomic for single African states, perhaps even including Nigeria at this juncture, to operate fully-fledged capital goods industries such as steel, heavy mechanical and

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[35] I am indebted to A. Rivkin, J. Woddis, L. Metzler, and T. Balogh for this discussion on "infant" industries.

[36] E.C.A. Report, op. cit., p. 36, paragraph 36.

electrical engineering and a large-scale chemical industry, however much the long-run comparative advantage would make such development not only possible but advantageous and necessary for Africa. An exception might be industries processing raw material and food products grown in the area: but it is unlikely that such an industry would give sufficient employment to make a decisive difference, though it might obviously provide the starting point for industrial development, Significantly, it has not done so in the past, despite even greater advantages offered in the previous regime to the ex-French territories.

Apart from the lack of technical knowledge and capital investment resources, African states are hampered in their efforts to raise their standard of living by the very fact that their markets are wholly insufficient to sustain large-scale industry.[37] The usual vicious circle of poverty only partly explains this inability. In the case of most African countries their smallness is the decisive reason -- apart perhaps from Nigeria, and possibly the Congo, though in each of these two countries there arised the problem of provincial separatism and the lack of geographic unity.

Most new independent African states owe their existence within their present boundaries to historical accidents. African countries represent neither ethnic

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[37] Balogh, op. cit., p. 105

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nor "geographico-ecological units." They were the result of the feverish march towards the interior of imperial conquerors and the resultant division of Africa. They cut across tribal areas, and conglomerate into single political units heterogeneous and often hostile groups. In the same way they represent portions of geological and climatic units. In West Africa, for instance, all coastal countries stretch from the humid forest to the Sudanian dryish belt. Not only does this complicate administration, but it vastly increases the cost of research and educational services, as the small units are broken into even smaller fractions with greatly differing problems between which none of that sense of cohesion exists that is needed for willingness to sacrifice. The usual problem of the antagonism of spearhead areas against the poorer sections is thus very much aggrevated. A rather more indirect, but even more unfortunate consequence of this heterogeneous composition of single states is the deeply felt need for exaggerated local nationalism. This makes for sumptuous expenditure endangering productive investment and engenders hostility. The unfriendly feelings between local leaders explain much of the failure of efforts at co-operation exemplified by the contradiction of the various politico-economic pacts which have been concluded.

(ii) National Self-sufficiency

The implication of this fact to their future is momentous. Most African countries cannot each singly devote sufficient resources to research or specialized education or make a start in establishing industry, because they cannot singly provide or secure protected markets at home for anything but small and ineffectual units in most industries.[38] Paradoxically the danger in the long run arises out of the fact that, under present circumstances, even such units (though they are inferior to large-scale units) might still allow increases in income because they would give employment to manpower now wholly or partly unemployed. While industrialization on these lines might appear advantageous at present, it would certainly seriously limit the maximum possible increase in productivity and perpetuate the inferior productive and income position of Africa.[39] Even large-scale productive units would need protection for some time until they can reduce costs to competitive

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[38] Dr. R. Prebish of the U.N.E.C.L.A. recognized the vital political importance of this fact and was the first to apply it. His heroic efforts have after long years of understanding, being crowned with success, not merely in Latin America, but also in the U.S.
cf. Also Unequal Partners, Blackwell, 1962. The importance of an unrestrained market for simple manufactured goods for poor countries in the EEC could be very great. But the lack of enthusiasm for association, of say, Hong Kong and India on the part of France and even Germany, clearly evidences that the failure of promoting economic unity in Africa is not altogether due to lack of realization of its importance to Africa.

[39] These same problems are also discussed by T. Balogh, E.A.G. Robinson, A. Rivkin and B.W. Jackson.

levels as a result of growing training and experience.

There is, moreover, grave danger that a number of African countries will be tempted to encourage the establishment of consumer goods industries which are 'uneconomic' even on a small scale but which need large imports of components and raw materials. This would also limit the increase in their income in comparison with the possibility of establishing large-scale industry on a more balanced basis and reducing overall import needs.

The danger of this development towards national self-sufficiency is increased by the fact that the negotiations under the Rome Treaties seem to have taken place not with the associated areas as a group but with individual countries singly. The economic relations between France and her erstwhile dependent areas have also been negotiated bilaterally. In consequence there are already signs that protection will be applied by single states, while on the other hand the African states have not made extensive use of the privilege granted by the Rome Treaties to introduce protection for the purpose of industrial development. Thus the limitations of the single country approach might be discovered even though enough time has not passed for a clear trend to be established. A co-ordination among African states is therefore essential.

Unless African territories can combine for the

purpose of industrial development they will, in these circumstances, either not be able to create an industry at all or only an inefficient industry which will limit the increase in their incomes. The partition of the larger trading union which had been established in the past between the French-speaking territories in Western and Equatorial Africa respectively, and the failure of the other territories to enter into effective co-operation between themselves and with the French-speaking areas are ominous in this respect.

8. The Effectiveness of European Development Fund: The original Convention regulating relations with the Associated Territories provided for the establishment of a European Development Fund in aid of the overseas territories.[40] This Fund was allotted $581.5 million for the five years between 1958 and 1962. While this is a substantial amount, it represents a fraction only of the contributions and loans granted by the metropolitan governments and the private investments undertaken in these areas in previous periods ($116 million per annum as against $884.5 million; it approaches however, half of the government contribution.)[41] The authorization amounted to a fraction only of the total, and only a few millions were actually spent! Much of the grants made by the Fund has been in social amenities and infrastructures, especially trans-

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[40] The European Social Fund and the European Investment Bank are to be used for reorganization and development within Europe.

[41] A large part of this, however, was spent in Algeria (E.C.A. Report, op. cit., p. 16).

port (42.1 per cent of the total to the middle of 1960.) Schemes approved for productive purposes were restricted to 12 per cent granted to agriculture: some of the miscellaneous projects amounting to 2 per cent of the total may have also had productive implications.

In fact the European Development Fund, set up by the EEC ostensibly to assist economic growth of the associated African States has become an obstacle to such an advance. Apart from the fact that the money allocated for eighteen states inhabited by more than 50 million people to be spent over five years is only sufficient for an amount equivalent to about half a cent per head per day, and part also from that up to August, 1961, that is to say after four-fifths of the time had elapsed, only about $40 million, one-fifth of the total had been spent. The use of these funds has in no way helped forward industrial development. As the London Journal has pointed out; "These sums of money could be utilized rationally if the Africans could use theirs at their own discretion. However, they are not allowed to do so. The Fund authorities spend the money first and foremost in the interest of the foreign capital."[42] Consequently, the bulk of the money allotted from the Fund has gone up to step up the production of export crops; to improve railroads and harbours connected with transporting African mineral wealth to metropolitan countries. The distribution of funds (see Appendix IV, Table 4), indicates that nearly half of the money was allocated to transportation and more than one quarter for agriculture.

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42 African Trade and Development, September, 1962, p. 13

No funds were allocated for heavy industrial projects in Africa. Proposals put forward by the associated states for the use of funds for industrial purposes in Africa (for example the suggestion of Upper Volta for piping oil and natural gas from the Sahara fields to West Africa) are rejected by the EEC countries who prefer to pipe the gas to Europe, even as far as Britain. "By January, 1962, despite the fact that some two hundred projects had been put forward by the associated African members (and of these, more than half had been rejected outright), work had actually begun only on six totalling about $600,000 or 3 per cent of the $40 million so far allocated.[43]

Hence it cannot be disputed that the operation of the first European Development Fund, has done very little in fostering African economic development. It is even doubtful to say whether the increase in the Fund under the new Convention, to $810 million will change the traditional pattern of allocation of the funds to different projects in Africa; unless the African representatives in the new Institutions set up in the Yaoundé Convention, take an active part in administering the funds.

Whilst we have considered the economic impact and implications of the association, we cannot overlook the political aspects of it, which are in themselves very alarming. We will, therefore, look at the political reprecussions in Chapter 4.

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[43] J. Woddis, Africa the Way Ahead, New York: International Publishers, 1964, p. 63.

CHAPTER IV

IMPACT AND IMPLICATIONS: POLITICAL

1. African Unity: A glance at the map of Africa shows the physical entanglements. Into the solid bulk of ex-French West Africa clutch the fingers of the English-speaking communities -- Gambia, Sierra Leone; Ghana and Nigeria -- and, one could add Liberia. In the Cameroun, an ex-French and a British territory have come together in an uneasy federal association. Down to Katanga, the French-speakers prevail. But across from them , on the other side of the continental divide, independent Tanzania may well be the first member of a new, wide, English-speaking association in East Africa.

These intermingled territories cannot ignore each other. However, confused and undirected, the sense of African unity is already a strong political force. The new nations, most of them desperately weak, have come to independence in an age dominated by federal structures -- by the United States, by the Soviet Union, by the ambition if not the fact of a United Europe. And even then, were the idea of Common Markets and political associations not fashionably in the air, "African leaders still feel the gap between the frailty of their fledgling and fragmented independence and the giant communities abroad."[1] Their post-colonial status and the continuance of Western colonial control on their Southern frontiers only increase their sensitiveness. Dr. Kwame Nkrumah

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1 B.W. Jackson, "Free Africa and the Common Market", *Foreign Affairs*, vol. 40, (April, 1962) p. 419.

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may not be accepted as a leader of a continental scope. But few African statesmen can ignore the influence of his passionate pan-Africanism, especially among the younger men.

In view of the above, it can be argued that partial African association with the EEC has significantly weakened the Pan-African movement by enhancing the split between French and English-speaking Africa. The non-associate members fear that association with the EEC "hardens the old colonial links and thus handicaps the development of strong horizontal ties between African states."[2] In fact there is general mistrust of anything resembling colonial or 'neo-colonial' ties. It is frequently argued that association implies a position of dependency and inferiority relative to the European countries.

However, African nationalism seeks to achieve and to maintain equality with Europe. African unity was conceived ultimately as a means for gaining that equality. Essentially it was a case of creating a United Africa to be the equal of a divided Europe. There has been in the language of African unification, the implied assumption that even, if a united Africa, materially on a level with a divided Europe, did not prove equality in technological capacities, it would at least have established African superiority in terms of what can be described as 'ethical' -- to prove to the world that "Negro states, though the last to come, are the first to use their brains for the conquest of the forces that have kept them apart."[3]

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[2] J. Woddis, op. cit., p. 62.

[3] Action group: Policy Paper on the Scientific and Cultural Development of Nigeria, 1960, p. 6.

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Unfortunately, the appearance of the EEC cuts right across this African nationalist ambition to achieve equality with the old, divided Europe. It also deprives the Africans of the hope of achieving unity. This, then, is the frustrating political impact of association of some African states with the EEC in relation to what was to be the intrinsic value of African unity as a moral achievement.

2. Regional Groupings: Independence has brought with it new relationships among the African States themselves. In January, 1961, Egypt, Morocco, Libya, the provisional Algerian government in exile, and the 'union' of Ghana, Guinea, and Mali met in Casablanca primarily under the banner of anticolonialism. With the exception of Libya (which has since joined the 'Monrovian powers'), these 'Casablanca powers' have attempted in spite of difficulties among themselves to pursue something like concerted policies toward the rest of the world. On the other hand, in May, 1961, twenty out of twenty-seven independent African states met in Monrovia, at the invitation of Cameroun, Liberia, Nigeria, and Togo, and founded an Afro-Malagasy Organization for Economic Co-operation.

Hence, it can be seen that the politics of Africa are already dangerously polarized between the Calablanca grouping of Guinea, Ghana, Mali, Morocco and Egypt, and the Monrovia group which contains almost all the others. So far, it has not been entirely easy to define the difference between them. The lines are still fluid. Both support African independence and unity.

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Both denounce colonialism. Both speak of African economic integration. The Casablanca group includes in Mali a member of the franc zone and a state associated with the Common Market. And constant efforts are being made by one or another member of the Monrovia grouping to end what is still a gap based on emotion, ambition and rival leadership. Since most members of the Casablanca group are not Associate members, the Association has become the principal target of violent pan-Africanism and open anti-European propaganda. All hope, therefore, of lessening the Monrovia - Casablanca split, have diminished; and the dangerous polarization of politics between 'moderates' with Western links and 'extremists' with adventurous foreign and domestic policies would be fatally intensified.

If political links between African countries associated with the Community and those not associated with the Community -- such as a few of the members of the Monrovia group, or the Casablanca group -- are strengthened, Europe's differentiation in the treatment of the three categories -- Commonwealth countries, Associated and other independent countries -- becomes all the more problematic and will only serve to weaken these groupings which were formed to strengthen their political ties and unity, and a unified programme for economic co-operation and development.

3. <u>Foreign Policy of the Associates</u>: Another political implication of the Association, can be seen in the foreign policy of the associated states. There is little doubt that these economic

links with the European Six, serve to limit the range of choice in the foreign policy of the associated states of Africa. For, despite the increasing importance of international agencies, it was the "bilateral agreements with the EEC that provided the great bulk of capital in 1960 (for example unilateral aid to Africa totalled $146 and bilateral aid $1227 million)."[4]

The influence exerted by the EEC on the foreign policy of its associates, is as crude as the gesture of Western Germany not to sign the new EEC agreement unless the Associates undertook not to recognize East Germany (though the provision was only written into the minutes, not incorporated into the text itself). Nevertheless, in extraordinary circumstances, the new states are always likely to follow lines in their foreign policy which the members of the European Union approve.

After having examined the economic and political impact and implications of partial African association with the EEC in the foregoing chapters (3 and 4), the next question we ask is which is the way out? Are there any substitutes or alternatives available to the African countries inside the Common Market and to those outside it? In the following chapter (5) I shall therefore look into the available alternatives which may serve to limit the degree of the impact and implications of the African association with the European Union.

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K. Post, The New States of West Africa, (Baltimore; Penguin Books, 1962) p. 62.

CHAPTER V

ANY ALTERNATIVES ?

The alternatives I am considering in this chapter, in place of partial association of African states with the EEC, are not in any way detailed policy measures that can be applied immediately. Instead, they are suggested in order to throw some light on the different possibilities that can be pursued. Their application would need more serious thinking and research because of the enormous problems involved. However, these alternatives cannot be dismissed as having been superficially treated because, it is now clear that association of some African states with the EEC, will not improve the economic development of the continent as a whole, and may even hinder it.

1. <u>The Importance of Outside Markets</u>: A major alternative proposal would be for African states to establish trade agreements with other countries outside the EEC. The disadvantages of African countries not being able to buy their manufactured products in the cheapest outside markets cannot be overlooked, even though these are much less than the disadvantages suffered formerly by the ex-French (and to a lesser degree the ex-British) Territories because of exchange restrictions and protective tariffs.

It is, therefore, not impossible that the African states can enter into bilateral agreements. While these might be held to conflict with the letter of the Rome Treaties, "they

have been practised by Germany and Italy without so far arousing the opposition of other Common Market powers."[1]

African bilateral agreements, with other countries outside the EEC might so increase the latter's demand for African products that they would more than offset the depressing influence on world market prices of the possible increase in production. If, for instance, the Russian or Chinese governments could be persuaded substantially to increase their country's demand for say cocoa, this would far outweigh the impact on total production of the preferential treatment. Exclusive trading by the Communist blocs might give the non-associated states an advantage.

However, it might also produce some serious disadvantages as some of the under-developed trading partners of the block have discovered -- "in the form of bloc dumping of purchased commodities or bloc pre-empting of the one or two chief exports of the under-developed country in return for military and economic aid under barter arrangements."[2]

In as much as such an agreement might be held to conflict with the spirit if not the letter of the Rome Treaties, the joining of the British territories (for example Nigeria) might diminish the flexibility of African policy viewed from the interests of the Continent as a whole. It is also obvious that, in a dynamic world, any increase in total world demand for tropical produce could compensate for depressing effects of the Common Market, even without such special arrangements. The response of demand to in-

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1 T. Balogh, <u>op. cit.</u>, p. 95 - 96.

2 A. Rivkin, <u>op. cit.</u>, p. 43.

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creases in income is obviously very great in the case of a number of primary products produced in Africa.

2. Regional Planning and Co-operation: It is essential, and the time is already overdue, to obtain co-ordination in both investment and research and specialized education through some intergovernmental agency of the O.E.E.C. type. The establishment of a supranational organ seems at this stage premature as it will be necessary to sort out with patience and determination the various groupings which have already been established. In the absence of conflict of interests between established industries, it is possible to hope that through an equitable distribution of new industry and infrastructure investment, a balanced development programme can be worked out without arousing much conflict.

In fact, a study done by the United Nations Economic Commission for Africa (UNECA), emphasizes the "importance of, and possibilities for, sub-regional co-operation as a pre-requisite for the industrialization of Africa."[3] Five reasons are given to support this suggestion. First of all, the African countries must draw to the greatest extent on their domestic financial resources, and co-ordination between states is here possible and desirable. Secondly, co-operation between countries and the consequent potential division of labour could greatly facilitate the extensive research into local problems which is a necessary

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3 U.N.E.C.A. Industrial Growth in Africa, (New York; 1963), p. 75.

step in the development plans of any region. Next, the broader market resulting from economic integration would help avoid the existence of surplus of the same products in neighbouring countries. Fourth, since there are many small countries in Africa with only a modest endowment of natural resources, a limitation is imposed on the extent of self-sustained growth that can occur within the economies. Finally, it is difficult for many African countries to build viable economies within the confines of their own (often artificial) boundaries. The report concludes: "Hence the long-term economic interest of each country demands intercontinental co-operation of some kind."[4]

It should be noted, however, that even such informal co-operation would raise grave problems. There is a basic antithesis between, on the one hand, stimulating existing geographic centres in which infrastructure investment is already available, and in which, therefore, the background for self-sustaining cumulative progress has been created which might trigger off such progress; and on the other hand a programme aimed at coming to the rescue, for humanitarian reasons, of the worst areas. It should be noted that, just as the impact of free international trade between unequal partners in a world context has unfortunate consequences on the weaker partner, so the same effect can be observed in intra-regional trade, or even within the

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4 <u>Ibid,</u> p. 80.

regions of one country. One difference, and an essential one, is that in the latter case, migration can be arranged more easily and co-ordinated with the planning for accelerated progress. In Africa, these problems are as acute as anywhere because of the restrictively heavy infrastructure investment required to open the poorest regions, which usually lie farthest from the relatively easy access to the sea coast. The sharp tribal differences also accentuate the problem (though with increasing economic progress, it is expected that this particular difficulty will be mitigated).

In planning investment, it is essential to be able to secure protection for infant industries on a regional basis. On the one hand, it is possible to establish efficient industry on a regional basis only. On the other hand, there are cases in which the establishment of large-scale African industries in one particular area of the region might have adverse effects on other parts. The latter might wish to protect their small industry for an intermediate period. The existence of artisan industry, the constituents of which will need some time to adapt themselves to the new situation is an example.

Thus the establishment of a powerful regional unit in agriculture as well as industry will require a new preferential tariff system. This would not basically conflict with the Rome Treaties or even with GATT if properly interpreted from the point of view of development planning. The products of the industries established would thus be treated by the rest of the

group, as either produced domestically, or subject to a preferential low duty. Thus if the African group becomes a member of the Common Market there may be three levels of tariffs applicable: one to all countries of the African Group itself, one to the Common Market countries, and one to the rest of the world, with the first and the second, in certain circumstances, being lower. At the same time it will be essential to channel foreign long-term capital to the continent on the basis of deliberate priorities and economic plans in member countries which are mutually consistent and thus strengthen the economic potential of the continent or region, rather than weaken it through competitiveness, national protectionism and reducing the scale of productive units to a level which is inconsistent with the achievement of full potential productivity.

The most expeditious way to promote this would be by expanding the activities of the African Development Bank charged with co-ordinating resource aid and technical assistance.[5] This Bank is essentially different from the Inter-American Bank because a direct participation by America does not arise. This has, of course, drawbacks. The direct participation of America in the American Bank means that the United States contributes $35 million share capital and twice as much as all countries put together for the operation of the Special Fund. Its particip-

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[5] The establishment of an African Development Bank was proposed at the last meeting of the U.N.E.C.A. in 1962, and Agreement Establishing the African Development Bank was reached in July, 1963.

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ation also means that bonds guaranteed by the Inter-American Bank really benefit from the credit of the United States Government and are able to tap the American capital market.

The great advantage for African unity of the creation of such a Bank is obvious (not least in the agricultural field). If resources are channelled through a single agency, duplication and waste of resources will be avoided, because loans and grants can be made contingent upon the various participating countries developing and agreeing upon the coherent and logically inter-connected national unity which is so essential if the continent is to make up for its laging behind in economic development.

It should be pointed out, however, that commercial policy and investment co-ordination must be inter-connected. Unless commercial policy can be selective, it is difficult to see how even the most logically conceived industrialization plans can be implemented because (at any rate in a transition period) it will not be profitable to establish many Industries in Africa in view of the possibility of purchasing their products more cheaply abroad, even if in the long-run the establishment of these industries was perfectly sound on the most classical canons. Preferential tariffs would enable government to harmonize the long-run development possibilities and immediate profit opportunities, while protecting handicraft industries. Thus technical assistance and resource assistance would be rationalized and the countries would at last be launched on a

process of self-sustaining and accelerating growth.

One of the essential needs is to co-ordinate the work of the large number of bilateral and multilateral agencies and private foundations which have become increasingly active of late in Africa.[6] In many cases this has led to multiplication of preliminary surveys without resulting in visible action, and African governments have become restive.

The F.A.O. report on African Development recognizes this problem:

"As in other parts of the world, a vast amount of information is available in various bilateral and multilateral agencies, most of which awaits sifting and evaluation for purposes of effective use. The pressure of operational and administrative work have resulted in a situation in which insufficient time is available for taking adequate account of the accumulated information.

Under these circumstances the purely project approach has predominated and, as we have seen, a great deal of the investment resulting from it is insufficiently productive. In the absence of coherent plans, international aid often involves poor countries in extravagant local expenditures which present more urgent tasks being attended to.

If therefore -- as is almost certain -- the scale of activity for F.A.O. and other international agencies is to increase very considerably in Africa, measures must be taken towards the following two objectives:

(a) to establish within F.A.O. a mechanism whereby the information flowing in from so many quarters can be effectively sifted, evaluated and turned to the practical purpose of assisting governments in the planning and execution of their development programmes; and in particular with respect to the various aid programmes which F.A.O. is in a position to render. The same comment may well apply to many other agencies;

(b) to ensure effective co-ordination between the various agencies with regard to work in Africa. While being prepared to take the responsibility

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> for co-ordination at the international level of all work in the field of food and agriculture, F.A.O. recognizes the essential role which must necessarily be taken by the Regional Economic Commission for Africa in overall co-ordination of the activities of U.N. agencies. F.A.O. proposes to work in the closest collaboration with E.C.A. in this matter, and feels it is essential that this should apply to all specialized agencies.

The need for effective co-ordination of aid programmes also highlights the role of the Technical Assistance Board Resident Representative. The growing realization of the need for coherent planning for economic development calls for the representation of F.A.O. and other specialized agencies at the country level, and the administration set-up and personnel of the office of the T.A.B. Resident Representative, to be brought in line with these needs. The F.A.O. Country Representative needs to be in a position, in conjunction with which their requests for assistance flow and to advise them regarding specific background of long-term policy guidelines for agricultural development which have been based on a careful study of F.A.O., in conjunction with the country with the U.N. and other specialized agencies where relevant, of future needs to be met and the long-term possibilities and problems of development.

Special problems are raised by the employment of foreign experts in Africa. The appointment of advisers has often been found less than satisfactory, as the lack of executive power and the lack of suitable counterparts in the national administrations which could put their advice into effect has meant that they sometimes remain in a vacuum. In view of the heavy loss of expatriate staff in many territories from the country previously having administrative responsibility, it will be necessary to give very careful consideration to the extent to which technical assistance in Africa can be given on the more traditional basis and the extent to which it must be more in the nature of an OPEX operation. In the latter case it is essential that adequate provision should be made for the training of nationals who can take over the administrative responsibilities at the earliest possible date."[7]

3. <u>An African Common Market</u>? Apart from the Republic of South Africa, the African continent is still a system of essentially colonial economies. In spite of the decisive differences between the colonizing policies of the different metropolitan powers --

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7 F.A.O. <u>Conference Report</u>, c61/11, 1961, pp. 202 - 203.

differences which go to the root of the Common Market — Commonwealth controversy -- the results of their work bear a family resemblance. In each economy the core of the modern sector is primary production for export either minerals or tropical foods and fruits. In each, the main infrastructure has been built to forward that trade. All lines of communication run down to the ports which are -- save in Western Nigeria -- the only really big cities. Contact between states is so slight that in some neighbouring countries, roads do not meet at frontiers and telephone conversations can be conducted only through Paris or London. Inter-African trade is minimal because of the concentration of export trade in the former metropolitan countries (as indicated by Appendix VIII - Tables 1 and 2). This again reflects the pattern of the transport system developed by colonial powers.

This colonial pattern cannot be changed simply by intensifying economic relations with the metropolitan powers through partial African association with the EEC. A world surplus of coffee and cocoa is already in prospect. If all the expansion plans of the separate African economies are successful, surplus in palm products, peanuts, sugar, citrus, bananas, and pineapples lie ahead. The aim of added agricultural output appears in every plan. Yet the Western stomach cannot be stretched to consume so much. Industrialization is the alternative adopted by the government, but industrialization will hardly succeed rapidly or adequately if it has to rely on export markets al-

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ready choked by the West's sophisticated products or the cheap manufactures of Asia. Therefore, in view of the above. "Africa's most urgent need -- like Latin America's -- is thus an internal market large enough to absorb the products of the agriculture and industrialization."[8] Now and for a very long time to come, the vertical trade flows between Africa and Europe and America, obviously have decisive importance. For the African states to break these trade flows, particularly the European ones, would be unbelievably folly. The choice is not between Eurafrican trade and intra-African trade; the problem is that of finding the market that can absorb the excess of African products over that which can be purchased by the rest of the developed world, especially the EEC.

An interest, therefore, of these states in an African Common Market compatible with their Eurafrican association is understandable. An African Common Market with real substance and benefits is undoubtedly a long-run African interest, which could evolve in stages over time. President Leopold Senghor of Senegal, in the following statement recognizes one of the basic factors involved:

> "There must be a new extension of our relationship vertically into Europe and to America -- the child of Europe -- and horizontally into the whole of Africa, even to Asia ---. Continentalism is a form of autarky ---. Africa cannot do without the other continents, especially Europe and America, except at the price of increasing its relative backwardness---. At the last Pan-African Conference --- there was talk about an African Common Market. Actually, the African economies are more competitive than complementary."[9]

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8 B.W. Jackson, op. cit., p. 420.

9 L.S. Senghor, "West Africa in Evolution", Foreign Affairs, No. 2, (January, 1961), p. 243.

The limitation of trade between African states is endangered by parallel development goals, e.g. identical plans for cattle-raising expansion in Niger, Upper Volta, and Ghana which now carry on a limited but lively commerce in cattle on the hoof. Economic growth and diversification of output will be needed to alter this factor. And this will take time, patience and planning.

There is also the problem of specialization or regional development of industry (which has been considered in section 2 above) so that industrial output can achieve some of the economies of scale. This is generally put forward as a reason, perhaps the reason, for an African Common Market. There can be no question, an adequate market is undoubtedly an important element in achieving the desired economies of scale. Specialization or regional development is, however, also in a practical sense something of a precondition for the establishment of a Common Market. There must be something to trade with among member states. Groundnuts shipped from A to B and back again from B to A are still groundnuts. Some minimal industrial development would seem to be imperative if there is to be profitable trade between and among the units in a Common Market area. In addition, a common market cannot be organized overnight; investment decisions are being taken and patterns being established. One of the hardest decisions in regional development is the location of industry. This has certainly been the experience in East Africa with Kenya

in the East African High Commission arrangement, and now in the East African Common Services organization arrangement. And it has been the experience of Southern Rhodesia, in the now defunct Federation of Rhodesia and Nyasaland. Hence, in the absence of an African Common Market, the question of specializing is a pressing one. Failing to treat effectively with it now means even more problems later for the establishing of an African Common Market.

The problem of transportation is a serious one which will have considerable attention before expanded trade can occur among many African states. And here co-ordination of national development plans are an important element inside and outside of a Common Market. In fact, a Common Market would have little reality under the existing transportation conditions for large part of Africa.

One could go on with serious problems that African states would have to face before going very far with a common market -- "the problem that still bedevils the EEC, the agricultural supports; the one that bedevils most of Africa, commodity price stabilization; divergent customs and tax practices, which brought the Ghana - Upper Volta free trade area to grief; obstacles to free labour flows; the African part of the franc area; the African part of the sterling area; and problems of weights and measure standards."[10]

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10 A. Rivkin, _op. cit._, pp. 44 - 45

Although the above problems seem apparently insurmountable, it would appear to me that patience, understanding, and recognition of the need for a common market in Africa by the African leaders, would help to eliminate them ultimately.

4. Total African Association: One might consider as another alternative to partial association with the EEC, total African association as a large-scale unit.[11] The importance of this problem has been widely realized by the leaders of the African states. It has been claimed however, that "the straight forward solution of association for all the new African States with the Common Market is, in fact, a pipe dream."[12] At least three politically vital and strategically situated African states reject association and largely for reasons put forward by young French critics.

Guinea on the ex-French side, Ghana (under Nkrumah) on the ex-British side, oppose association on the ideological ground that the relationship is basically dependent and neocolonialist, perpetuating unequal relationships, making economic mockery of new-found political independence and frustrating the great pan-African dream. Nor can this simply be dismissed as an extremist view. In the East, the Tanzania government has let it be known that if Britain joins the Common Market, Tanzania will leave the Commonwealth.

These are overt official reactions. In addition, one must reckon with a strongly dissident current of opinion emerg-

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11 Possibly three units: West Africa, Central (tropical forest) Africa, and Eastern (and Central Plateau) Africa.

12 B.W. Jackson, op. cit., p. 245.

ing everywhere in Africa -- even in countries whose leaders support close association. The young Senegalese with pictures of Sékou Touré on their desks, the Action Group opposition in Nigeria, the supporter -- in schools and universities, in ministries and party offices -- of the Nkrumah brand of pan-Africanism, all these add up to a kind of second, "submerged Africa just below the level of the present leadership, but one which a political earthquake at any time or any point might bring bursting into the surface."[13] Africa has one thing in common,rejection of colonialism and 'neo-colonialism' in all forms, from the Portugese presence to the image of 'Eurafrica'.

5. Formation of Customs Unions? Economic union can mean a number of things. It can imply free trade between the constituent countries in goods. The next meaning that comes to mind is a true customs union -- not only free trade in goods between the countries concerned, but the adoption by them of common tariffs (or other trade barriers) against goods coming from the outside world as well. Next, a union can be thought of as meaning free movement between the territories of some or all of the factors of production. In so far as capital is one of the factors free to move, this leads on to the question whether the countries are to have, in some sense, a common monetary system, or at least a firm arrangement whereby their currencies shall be mutually convertible without restriction or mutually convertible at a fixed rate, or both. Next, there is the question of whether "the development policies of the

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13 B.W. Jackson, op. cit., p. 426

member countries should be worked out in common or accomodated to each other in some way."[14] And finally, the terms of an economic union may include some degree of pooling of part of the public revenues, or the joint development and ownership of public utilities such as transport systems, of educational and research establishments and possibly of some tax collecting machinery.

The possibility that receives most attention at present is that of a free-trade area. How important is this for African countries? It would seem to me that most of the theoretical discussions of this subject do not help us very much if we look at them in the African context. The treatment of Viner, Meade, Makower and Morton, Grehels, Lancaster and Lipsey,[15] are concerned almost entirely with effect of customs unions on economic welfare on the assumption that there are no productive economies of large scale, and to use this assumption renders the whole analysis unrealistic when applied to African conditions.

But first let us look at some of the results of the analysis as they might apply to Africa. For each member country, the introduction of free trade within the area eliminates any distortions by tariffs of the price-relations between goods from its producers and those of other member

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14 H.G. Johnson; "The Economic Theory of Customs Unions", Pakistan Economic Journal, (March, 1960), p. 30.

15 cf. R.G. Lipsey, "The Theory of Customs Unions: A General Survey", Economic Journal, (September, 1960).

countries, but introduces a distortion of the price relation between goods from its union partners and goods from the outside world. Lipsey points out that the former change -- which may be assumed to improve the use of resources -- is important in so far as there is much scope for trade between member countries. The second change -- the introduction of a distortion, which presumably makes resources less efficient -- is important in so far as the external trade (union and non-union) of the members is big. The case for a free-trade union is strong, in fact, when the member countries have little external trade in proportion to their internal production, but do a high proportion of external trade with their union partners.[16] The strength of the case depends also, of course, on the sensitiveness of the trade pattern to tariff changes and on the relative efficiences in different countries, of the industries which the tariffs protect. If the consumers do not regard goods from a union partner and goods from the rest of the world as being close substitutes for each other, then the free trade union will not make much difference to the way in which resources are used, though it may make a considerable difference to the terms of trade between the countries. The case for union is strong where the constituent countries are all trying to protect the same kinds of industry, but "show markedly different values for the ratios of factor-efficiency in these industries to factor-efficiency in non-protected branches of production."[17]

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16 R.G. Lipsey, op. cit., p. 508.

17 H. Makower and G. Morton, "A Contribution towards a Theory of Customs Unions", Economic Journal, vol. LXII, no.249 (March, 1953), pp. 33 - 49.

According to these criteria, the immediate gain from free trade unions in Africa would be small. It is true that African countries apply import duties to broadly similar goods -- in general, they all tax imports of most manufactured goods, partly for revenue and partly for protective purposes. It is probably true that their comparative advantage in producing these manufactured goods vary from country to country. For one thing, different African countries (though all of them at an early stage of development as compared with advanced countries) show very different degrees of intermediate industrial promise. Some have the substantial beginnings of an undustrial labour force; an internal supply of capital, and technical and commercial skills; others have not. Moreover, in some, the immediate possibilities of extending commercial agriculture or mining are good; in others poor. The relative possibilities of manufacture and primary production thus probably vary over a wide range.

But, on the other hand, (as pointed out before), the actual volume of trade between African countries is still small in relation to their trade with the rest of the world, and their total external trade is large in comparison with their total domestic production. The total merchandise exports of African countries are probably more than a fifth of their total production of goods and services; nearly as high a proportion as one finds in the countries of the European Economic Community.

The conclusions from these facts, taken with theory

of customs unions, as it has so far developed, is that African countries ought to form such unions (if at all) with some of the advanced industrial countries. It is with these that they do most of their trade; "both the African and the advanced industrial countries mostly protect their manufacturing industries, and in the present phase of development the industrial countries have a big comparative advantage in most kinds of manufacture."[18] This is an argument against fostering manufacturing in Africa by any forms of protection, and for making African trade even more outward directed than it is at the present.

It appears to me that the above argument is invalid, because it is based on a short-run view; it takes comparative advantages and trade patterns as they are now instead of considering what they are likely to be, say, a generation hence. In fact, it ignores the dynamic aspects with which the problems of economic growth are concerned, and stresses the static aspect of maximum gains from a custom union. In the long-run, it would seem to me that African comparative advantages in different kinds of production are likely to, or at any rate could, be greatly altered by the spread of education and technical knowledge, and by the increase in education. In some parts, even today, the prospect of extending primary production radically is poor; in such areas the comparative advantage shifts towards secondary industry as soon as skill, capital, communication and the forms of organization and habits of life appropriate to manufacturing can be provided. This is beginning to

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18 E.F. Jackson, (ed.), Economic Development in Africa, Oxford: Basil Blackwell, 1965), p. 179.

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happen already. As it goes on happening, the trade pattern will change. Experience of countries already semi-industrialized suggests "that external trade at a somewhat later stage grows less fast than internal purchasing power."[19]

At this stage, too, trade between African countries -- both between those already semi-industrialized, and between semi-industrialized countries and those with comparative advantages in primary production -- would probably grow faster, proportionately, than trade with the outside world. The area of the economy over which free trade unions between African states might be expected to improve the use of resources would thus increase with development, and the areas over which such unions would cause high cost goods from within the union to be substituted for lower cost goods from outside it would, relatively, diminish. Development would then strengthen the case for unions between African countries, even according to the theoretical criteria at which we have looked.

But again, as in the case if a continental Common Market, problems of administration, fiscal policy, unequal distribution of benefits; pricing; financial transfers, factor movements, etc. would have to be faced, but they are superable, and much less important in the long-run when the development of the members of a free trade union is on the way.

In the light of the above alternatives to partial

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19 <u>Ibid,</u> p. 180.

Association, it would seem to me that the encouragement of African unity along parallel lines with Europe is a sounder political and economic aim than vertical integration and this may be the basis for the economic development of the continent as a whole.

In the conclusion of this chapter, I do realize the problems involved in choosing an alternative or substitute to African association with the Common Market, but it would appear to me that in the long-run, it is regional co-operation in planning and investment decision making, trade, together with bilateral agreements with countries outside the EEC, that would determine to a large extent, the 'take-off' (to use the phrase of Walt Rostow, the economic historian), of the African economies into 'self-sustained growth'.

CHAPTER VI

THE PROSPECTS OF THE ASSOCIATION

In this chapter, I will deal with the attitude of the Eighteen and the Six towards the new Associates; and the long-run prospects for this partial association of African States with the EEC. It seems to me that these factors will determine to a large extent the nature, direction and impact of future 'Eurafrican' economic and political relations.

1. The Attitude of the Eighteen and the Six Towards new Assosicates:

For many observers, the simple and obvious solution is that if ever Britain does secure entry into the European Common Market, she would negotiate for associate status for her African ex-territories and eliminate at one stroke the difficulties and estrangements which threaten to arise between the English-speaking and French-speaking areas of Africa.

But the issue is not so straightforward. Within every group concerned with the negotiations, there are hesitations and objections -- often conflicting ones. In fact, "a certain amount of schizophrenia reigns over the whole debate."[1] On the one hand, the Eighteen African Associates have their position to protect, and are not likely to look with any great favour on their sharing their beneficial position with other African states that do not at least assume equal obligations, (for tariff and quota reductions, non-discriminary treatment of private investment of the Six

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[1] B.W. Jackson, op. cit., p. 424.

in their area, etc.) and equal risks (of criticism by the Nationalist African states such as Ghana and Guinea for their close Eurafrican links.).

The Eighteen have already pre-empted the $730 million African allotment under the European Development Fund, and the European Investment Bank for the Eighteen. And aid to other possible African Associates will require additional resources.[2] In addition, the present African Associates must be consulted "on any request for association with the Community made by a state which has an economic structure and production comparable to those of the Associate States."[3] Furthermore, some of the leaders of the Associate states are pressing for even more exclusive advantages and some governments, notably the Ivory Coast, seem very reluctant to water down the very real gains they derive from trade discrimination by admitting other African competitors into the EEC. (Britain's record in aid giving is not such as to suggest that it would fill the gap if the potential claimants of assistance were to increase three fold by the crowding in the ex-British territories. See Appendix IX for the official disbursements of British aid, and the comments that follow.) Yet these same ex-French leaders go off to Monrovia and Lagos and there in solemn conference concur with leaders of Liberia and Nigeria on the need for an African Common Market,

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2 This was clearly the intent and the effect of Article 58 of the Convention of Association.

3 Ibid.

an African development fund and the closest economic co-operation on a continental scale. They do not seem to be troubled by the fact that the policies they advocate in Brussels and Paris, on the one hand, and in West Africa, on the other, are diametrically opposed.

There are contradictions on the European side too. Of the Six, France will be concerned to protect the privileged position of the Eighteen and more particularly of the fourteen of l'expression française. If the organic link of the Eighteen and the Six is to continue to have its value then the benefits and rewards of such a link cannot be too freely dispensed to those who remain outside the link. In short, France would be hard pressed to extend equal or near equal benefits to new African Associated, without their assuming equal or near equal responsibilities and risks. France's position in this regard would not be unlike the Eighteen's.

On the other hand, France has a somewhat conflicting interest in 'widening the net', that is, expanding its role as a great power by improving and strengthening its relationship with many other countries in the under-developed world. To do this, unless France is prepared to make an even greater effort and use even more resources than it already does, it would be necessary for France to divert some of its present effort and resources to these other areas.[4] In Africa, other than the

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[4] Alternatively, France might continue its foreign and flow from public funds at about 1.5% of its GNP (see Appendix X for distribution of French aid) and, as its GNP grows, divert the increase in absolute amount available over its present level of aid to associated areas to new areas. This, of course, would involve time and does not meet the immediate problem posed.

North African states already closely involved with France, this means basically former British Africa. The Jeanneney Commission on French foreign aid policy certainly recommended that France "widen the net of its foreign aid", presumably by diluting almost exclusive emphasis on aid to French-speaking Africa.

For the other five European members of the EEC, "they would favour increasing the number of African Associates and the creation of new types of association to accomplish this end."[5] Their interest would probably be a twofold one. First, it would end for some of them and perhaps all of them, what is increasingly the awkward problem of their relations with the rest of Africa. West Germany especially is interested in expanding its contacts with states like Nigeria and Tanzania for trading, investment and aid purposes. Dr. Erhard has gone on record against discrimination and a quota system and the German Government is "exceedingly anxious not to affront the interests of Latin American suppliers of tropical products whose markets are valuable outlets for German exports."[6] The Netherlands too would like to avoid being side tracked away from English-speaking areas of Africa, particularly with respect to trade relations.

Secondly, most of the other five European members, and perhaps all, would probably just as soon limit their growing financial commitment to the Eighteen, and particularly to the fourteen of l'expression française. Expanding the area of associates

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[5] A. Rivkin, op. cit., p. 39.

[6] B.W. Jackson, op. cit., p. 425.

would in the future act to spread their financial contribution over the enlarged area without proportionally increasing the size of the contribution. In fact, it might permit aid-giving European states to consolidate their EEC and bilateral aid programmes and effect a savings in the process. And the pressure for surprix[7] support to the fourteen could also probably be diluted and its spread to more and more commodities forestalled by enlarging the area of associates with looser and less advantageous association arrangements. Thus, if new association would meet the needs of the non-associated African States seeking such an association, the European five would probably achieve the best of the two worlds -- Eurafrican association without its present exclusive and some of its more expensive aspects.

It seems likely that the relationship of the Eighteen and the Six will tend more and more to approximate the Nigerian pattern, with progressive disappearance of special advantages except for a common African trade advantage. This would mean the preferential access for a growing range of goods to the position of beneficiaries of non-reciprocal trade preferences by developed countries. The developing countries at the UNCTAD Conference argued that they should all find themselves in such a position.

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[7] The French practice of inducing agricultural production in the former French Africa with the dual objectives of aiding African development and meeting French needs is perhaps best characterized by world surprix. The French automatically offered and paid above world market prices for a tropical agricultural commodities coming from former French Africa.

2. <u>The Long-run View</u>: Turning to the long-run, one may wonder how far the Association can be of permanent significance. The French educated Africans are now for the most part still anxious to preserve their links with Europe -- are trying, for example, to recruit more French schoolteachers -- and will no doubt defend the Association for its economic benefits, provided it allows them to "deliver the goods." But they are still finding their feet in the wider sphere of world politics where other alternatives are still open to them as well. And it is difficult to see from Europe how far their peoples are behind them and whether they will wish or be able to continue in the long-run with the Association in the spirit in which Europeans hope it turns out. In fact, very real problems remain -- of both an economic and a political kind.

For a start, Africa is divided into separate preferential areas, very much along the old colonial demarcations. For many tropical products, and especially for cocoa, coffee, and tea, there are now two separate preferential areas in Europe: the United Kingdom granting tariff preferences on imports from Commonwealth countries, and the EEC on imports from their Associates. In addition, there are countries such as Liberia and Ethiopia (or indeed, Tunesia and Morocco), which are left outside either major preferential areas. The whole situation is a political no less than an economic anomaly.

If Britain ever joins the Common Market, the obvious solution is that the African and the Caribbean countries of

the Commonwealth should become Associates of the Community and benefit from the same tariff preferences from the whole of the enlarged Community. However, as one writer puts it, "such a solution might be seductive from an 'Afro-European' or 'Eur-african' point of view, and would meet the demands voices by the Afro-Malagasy group at the Strasbourg conference. But it would encounter the very grave misgivings of Asia and South America, in consequence, of the United States and Japan."[8] Nor would such misgivings be unjustified: The preference, instead of favouring certain producers against the rest, would then in effect discriminate against a minority of producers -- chiefly in South America. Such a solution is plainly against the interest of the free world as a whole.

The issue involves a complex mass of political and economic judgments. Is the present partially preferential solution of association with the Common Market likely to contribute to growing economic and political stability in both Europe and Africa? There are strong reasons for doubting it will. The arrangements of today grew out of a particular colonial policy -- the assimilationist policies of France -- and conform to a type of solidarity which has been almost entirely eroded away in the political sphere. In the post-colonial phase, Africa's dominant political mood seems increasingly coloured by pan-Africanism, by more or less explicit longings for greater unity, by an angry resentment at all forms

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8 U.W. Kitzinger, op. cit., p. 117.

of contrived control which has resulted in wide political and economic implications (as we have seen in Chapters 3 and 4). Given this mood, it is at least possible that policies of close 'Eurafrican' economic assimilation may, for all their immediate advantage, become both the target and the irritant of a more vocal and violent nationalism in Africa and actually increase the instability of that disturbed continent. These are high prices to pay for discriminatory forms of economic assistance to a relatively small part of a large continent, and an even larger world -- especially since that assistance could, with a little patience and a little judgment, be equally well supplied by more general and less devisive means. However, it appears to me that the degree and the extent of the instability, impact, and implications caused by partial Association, can only be reduced by a search for new alternatives (some of which I have examined in Chapter 5), by both associates and non-associate states in Africa, together with the co-operation of the EEC.

APPENDIX I - BALANCE OF PAYMENTS

TABLE I

BALANCES OF PAYMENTS BETWEEN FRANCE AND FORMER A.O.F. AND TOGO
(millions of N.F.)

	1953	1954	1955	1956	1957	1958	1959
Public transfers (Net balance)	+413	+376	+549	+579	+705	+763	+930
Private transfers (Net balance)	-351	-459	-521	-471	-686	-752	-771
Net balance of transfers	+62	-83	+28	+108	+19	+11	+159
Balance of visible trade with the franc zone	-105	-116	-279	- 48	-161	-141	-268
Balance of monetary transfers:							
On current account	-36	-8	-2	-80	-186	-221	-72
On capital account	+7	+5	..	+27	+52	+158	+301
Balance of invisibles	-217	-342	-254	-379	-391	-548	-732

Source: Comité Monétaire de la zone franc.

Plus (+) represents a balance due from France.
Minus (-) represents a balance due from the African territory.

TABLE II

BALANCES OF PAYMENTS BETWEEN FRANCE AND CAMEROON (millions of N.F.)

	1953	1954	1955	1956	1957	1958	1959
Public transfers (Net balance)	+69	+72	+51	+120	+124	+76	+99
Private transfers (Net balance)	-80	-78	-60	-147	-99	-91	-55
Net balance of transfers	-11	-6	-9	-27	+25	-15	+44
Balance of visible trade with the franc zone	-53	-51	-44	-53	-57	+19	+35
Balance of monetary transfers:							
On current account	+5	+53	+56	+14	-9	+26	+131
On capital account	+2	..	+3	+2	+2	+3	+4
Balance of invisibles	-34	-80	-75	-110	-35	-139	-225

Source: Comité Monétaire de la zone franc.

Plus (+) represents a balance due from France.
Minus (-) represents a balance due from the African territory.

TABLE III

BALANCES OF PAYMENTS BETWEEN FRANCE AND FORMER A.E.F.
(millions of N.F.)

	1953	1954	1955	1956	1957	1958	1959
Public transfers (Net balance)	+150	+178	+198	+216	+265	+306	+329
Private transfers (Net balance)	-152	-159	-208	-212	-228	-279	-315
Net balance of transfers	-2	+19	-13	+4	+37	+27	+14
Balance of visible trade with the franc zone	-40	-32	-81	-62	-143	-111	-133
Balance of monetary transfers:							
On current account	-68	-62	-52	-42	-76	-78	-26
On capital account	+4	+4	+6	+3	+12	+24	
Balance of invisibles	-48	-69	-81	-111	-15	-102	-201

Source: La Zone franc en 1959. Comité Monétaire de la zone franc, Rapport 1960.

Plus (+) represents a balance due from France.
Minus (-) represents a balance due from the African territory.

TABLE IV

BALANCES OF PAYMENTS BETWEEN FRANCE AND MADAGASCAR
(millions of N.F.)

	1953	1954	1955	1956	1957	1958	1959
Public transfers (Net balance)	+181	+156	+222	+215	+220	+255	+300
Private transfers (Net balance)	-187	-168	-161	-201	-285	-256	-288
Net balance of transfers	-6	-12	+61	+14	-65	-1	+12
Balance of visible trade with the franc zone	-103	-136	-119	-115	-178	-101	-196
Balance of monetary transfers:							
On current account	-51	-23	-29	-11	-38	-1	-23
On capital account	+1	+2					
Balance of invisibles	-34	-11	-14	-77	-72	-156	-70

Source: La Zone franc en 1959. Comité Monétaire de la zone franc, Rapport 1960.

Plus (+) represents a balance due from France.
Minus (-) represents a balance due from the African territory.

APPENDIX II - TRADE STATISTICS

TABLE I

MOVEMENTS OF THE TERMS OF TRADE
(1949 = 100)

	1950*	1951*	1952*	1953	1954	1955	1956	1957
A.O.F.	106	124	106	117	143	130	119	120
Cameroun	109	128	105	111	148	136	115	117
A.E.F.	112	132	110	112	109	117	114	108
Madagascar	145	167	138	149	176	135	151	177

* Including Etats d'Indochine.

TABLE II

TRADE BALANCES OF AFRICAN COUNTRIES OF THE FRENCH ZONE
(millions of N.F.)

	1950*	1951*	1952*	1953	1954	1955	1956	1957	1958	1959
A.O.F.										
Imports	843	1,227	1,220	1,105	1,330	1,344	1,335	1,550	1,499	1,602
Exports	621	774	804	935	1,165	1,066	1,200	1,209	1,373	1,376
Balance	-222	453	-416	-170	-165	-278	-135	-341	-126	-226
Cameroun										
Imports	211	330	373	283	325	363	333	363	449	403
Exports	164	227	221	262	305	331	263	300	486	535
Balance	-47	-103	-152	-21	-20	-32	-70	-63	+47	+132
A.E.F.										
Imports	268	365	468	296	334	367	411	522	539	626
Exports	159	228	205	201	256	274	283	308	398	451
Balance	-109	-137	-263	-95	-78	-93	-123	-214	-191	-275
Madagascar										
Imports	300	458	468	453	481	428	462	523	531	300
Exports	243	267	328	297	321	285	326	325	405	373
Balance	-57	-191	-140	-156	-160	-143	-136	-198	-126	-217

* Including Etats d'Indochine.

TABLE III

CUMULATIVE TOTALS 1950 - 1959 OF IMPORTS AND TRADE BALANCES
(millions of N.F.)

	Imports	Balance
All overseas countries and territories, of which	88,011	-30,869
A.O.F.	12,085	-2,525
Cameroun	3,433	-354
A.E.F.	4,196	-1,518
Madagascar	4,995	-1,524

TABLE IV

VOLUMES OF EXPORTS
(1949 = 100)

	1950	1951	1952	1953	1954	1955	1956	1957
A.O.F.	103	97	105	124	136	133	166	163
Cameroun	98	107	108	134	125	143	136	153
A.E.F.	98	109	111	113	158	169	163	176
Madagascar	107	100	123	117	115	136	144	143

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TABLE V

IMPORTS AND BALANCES IN EXTERNAL TRADE
(millions of N.F.)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Overseas Countries and Territories:										
Export	1,315	1,895	2,234	1,720	1,820	1,978	2,185	2,555	2,672	2,904
Trade Balance	-90	-405	-649	-440	-360	-358	-715	-1,021	-939	-654
A.O.F.:										
Export	196	209	267	232	285	283.35	326.26	382.18	428.70	409.80
Trade Balance	-71	-88	-104	-52	-21	+2.83	-74.02	-161.34	-142.80	-81.88
Cameroun:										
Export	52	73	120	96	105	110.88	108.57	110.00	132.79	125.24
Trade Balance	+12	+9	-22	+11	+11	+48.90	-11.42	-6.53	+18.01	+96.42
A.E.F.										
Export	86	121	143	107	115	133.79	158.10	175.58	196.72	106.49
Trade balance	-48	-69	+157	-55	-46	-49.61	-75.32	-71.43	-79.70	-41.26
Madagascar										
Export	55	81	114	92	87	87.22	106.70	117.46	125.77	122.34
Trade balance	-20	-46	-52	-56	-26	-27.27	-24.34	-22.96	-28.19	-24.54
Total Dificit of Franc Zone Including France	-1,070	-3,795	-4,785	-2,510	-1,820	-1,178	-4,856	-5,965	-4,531	-769

TABLE V
(continued)

TOTALS OF DEFICITS FOR PERIOD 1950-9
(millions of N.F.)

Total of franc zone	-30,207
Overseas countries and territories of which	-5,631
A.O.F.	-800
Cameroun	+211
A.E.F.	-377
Madagascar	-326

TABLE VI

INDICES OF VOLUMES OF EXPORTS IN 1957
(1949 = 100)

Territories	To France	To Rest of Franc Zone	To Foreign Countries
A.O.F.	145	155	317
Cameroun	114	285	288
A.E.F.	147	395	252
Madagascar	105	192	420

TABLE VII

INDICES OF VOLUMES OF IMPORTS IN 1957
IN CERTAIN CATEGORIES
(1949 = 100)

	A.O.F.	Cameroun (1956)	A.E.F.	Madagascar
Non-durable goods (food)	279	337	228	340
Durable goods	237	133	274	281

TABLE VIII

INDICES OF VOLUMES OF TOTAL IMPORTS
(1949 = 100)

	1950	1951	1952	1953	1954	1955	1956	1957
A.O.F.	117	152	135	136	175	171	174	200
Cameroun	106	153	146	123	152	164	152	167
A.E.F.	107	133	138	107	129	151	154	185
Madagascar	120	178	151	166	189	170	193	255

Source: cf. Bournier, op. cit. and Outre-mer, 1959.

APPENDIX III - PUBLIC INVESTMENT

TABLE I

INVESTMENT OVERSEAS FINANCED BY METROPOLITAN FUNDS
(FIDES, CREDITS, AND CCFOM)
FROM THE ESTABLISHMENT OF FIDES TO 1958
(milliards of N.F.)

	1951*	1952	1953	1954	1955	1956	1957	1958
A.O.F.	75.0	43.0	31.0	19.0	26.0	36.2	35.7	34.2
Togo	3.72	0.75	0.69	0.86	1.32	1.00	5.75	1.54
Cameroun	27.9	17.7	11.3	22.3	9.7	7.59	8.65	6.32
A.E.F.	36.1	18.9	14.0	9.2	10.5	13.4	18.9	10.2
Madagascar	19.2	11.9	12.9	6.3	7.8	10.6	9.4	7.27
Comoro Is.	0.83	0.48	0.83	0.29	0.38	0.38	0.28	0.25
Somalis	3.74	0.9	0.9	0.35	0.41	0.20	0.19	0.16
New Caledonia	3.02	1.6	0.75	0.17	7.6	1.18	3.31	2.29
Polynesia	2.24	0.65	0.35	0.24	0.46	0.47	0.77	0.79
Saint-Pierre-et-Miquelon	0.91	0.08	0.22	0.19	0.19	0.32	0.14	0.06
New Hebrides	--	--	--	--	--	0.19	--	0.12
Total **	190.0	100.0	83.0	67.0	72.0	75.3	83.1	63.2

* Total to December 31, 1951, from the establishment of FIDES.

** Including former French stations in India and general expenditure which cannot be allocated to particular territories. (General Section of FIDES.)

TABLE 11

LOCAL PUBLIC INVESTMENTS 1944-55 of A.O.F., A.E.F., AND CAMEROUN
(millions of current N.F.)

	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
A.O.F.												
Local Budgets*	595	719	940	1,262	1,535	2,375	5,349	5,128	6,603	6,139	6,179	6,808
Railway and Ports †	92	83	250	59	167	57	369	816	1,380	1,063	1,364	1,702
Contributions to FERDES ‡	..	..	..	..	..	70	112	175	158	375	509	330
By Cocoa Fund §	..	..	..	..	..	..	10	277	330	465	360	364
By Coffee Fund §	..	..	..	..	..	..	104	222	158	527	521	559
Road Fund	..	..	..	..	..	..	..	..	..	1,500	1,350	1,600
A.E.F.												
Local Budgets*	143	218	387	495	421	592	1,052	2,801	1,668	1,639	473	290
Railway and Ports †	3	3	..	..	..	..	89	220	422	127	119	167
Cameroun												
Local Budget	127	84	102	105	352	481	499	637	1,754	1,269	253	552
Railway and Ports †	24	15	23	14	..	..	38	182	338	234	578	751
P.E.R. ‖	..	..	..	..	..	..	..	..	..	15	40	60
By Cocoa Fund	..	..	..	..	..	82	195	324	369	..	..	..
Joint A.O.F., A.E.F., and Cameroun:												
Various contributions to investment	5	10	21	81	183	207	788	337	241	281	378	415
Communes and Chambers of Commerce π	..	..	..	..	..	25	50	50	100	150	230	250
Total	989	1,132	1,723	2,016	2,658	3,883	8,655	11,169	13,521	13,784	12,353	13,848

* Total of federal and territorial budgets
‡ Contributions of native authorities to FERDES in A.O.F. from 1949
π Investments financed through Communes and Chambers of Commerce excluding those financed by advances from CCFOM.

TABLE II
(continued)

† Investments financed from internal resources.

§ Investments financed from the Cocoa and Coffee Funds from 1950.

‖ Fund for Petit Equipment Rural established in 1953.

TABLE III

PUBLIC AND PRIVATE INVESTMENT, 1944-55
IN A.O.F., A.E.F., AND CAMEROUN
(N.F., milliards at prices of 1955)

Years	Construction and New Works*	Equipment	Research and Pilot Studies†	Investment in Traditional Forms of Capital	Total
1944	6.1	1.3	---	18.8	26.2
1945	7.6	1.5	---	13.1	22.2
1946	8.8	2.4	---	15.5	26.7
1947	12.7	5.2	1	16.1	35.0
1948	19.3	9.8	1	17.5	47.6
1949	27.6	14.3	1	20.2	63.1
1950	38.5	19.2	2	22.3	82.0
1951	45.9	22.6	2	14.3	84.8
1952	47.6	22.9	2	18.9	91.4
1953	44.4	22.5	3	24.8	94.7
1954	42.8	22.9	3	19.7	88.4
1955	44.2	27.3	3	20.1	94.6
1956‡	51	28.5	3.5	17	100

* The method of estimation of investment in construction and new works, based on the use of cement and materials, does not permit distinction between civil and military works. Thus the latter are included in the estimate for this territory.

† Excluding materials.

‡ For 1956, estimate made by M. Branchu, administrateur I.N.S.E.E., by the same methods employed by M. Maldant.

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APPENDIX IV - FIRST EUROPEAN DEVELOPMENT FUND (1958 - 1962)

TABLE I

PLANNED ALLOCATIONS OF THE EUROPEAN DEVELOPMENT FUND
(All figures expressed in millions of dollars)

Overseas territories of	1958 10%	1959 12.5%	1960 16.5%	1961 22.5%	1962 38.5%	Total 100%
Belgium	3	3.75	4.95	6.75	11.55	30
France	51.125	63.906	84.356	115.031	196.832	511.25
Italy	0.5	0.625	0.825	1.125	1.925	5
The Netherlands	3.5	4.375	5.775	7.875	13.475	35

The greatest share was destined for French overseas territories and countries, the bulk of which was to go to the fourteen African associated territories of l'expression française. Only the $35million earmarked for Netherlands New Guinea was certain to be allocated to territories outside Africa.

Table 2 gives the scheduled contributions of the European Six to the Development Fund over the five-year period and recapitulates the planned allocation of funds to the overseas territories for comparison purposes.

Source: A Rivkin, op. cit., p. 13

TABLE II

EUROPEAN DEVELOPMENT FUND CONTRIBUTIONS AND PLANNED ALLOCATIONS
(All figures expressed in millions of dollars)

	Contributions	Allocation to Associated Territories
Belgium	70	30
France	200	511.25
West Germany	200	--
Italy	40	5
Luxembourg	1.25	--
The Netherlands	70	35
Total	581.25	581.25

Source: A. Rivkin, op. cit., p. 14.

France and West Germany were the two principal contributors, with $200 million each. The French territories were to benefit directly for the first time from $311.25 million contributed by metropolitan countries other than France; in addition to $200 million from West Germany, they were to receive $40 million from Belgium, $35 million each from both Italy and the Netherlands, and $1.25 million from Luxembourg. The price for French participation in the EEC included this $311.25 million contribution to the French overseas territories. All assistance from the Development Fund was to be in the form of nonrepayable grants.

In the first four years of its existence the Development Fund allocated $277 million for economic and social development projects in the associated territories and countries. By far, as originally contemplated, the lion's share went to Africa, and within Africa to the states of l'expression française. An additional $200 million was earmarked for allocation to projects during 1962, the final year of the original five-year period provided for under the Treaty of Rome and the Implementing Convention for the initial association of the associated territories and countries.

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TABLE III

EDF ACTUAL ALLOCATION AS OF DECEMBER, 1963
BY AFRICAN STATES
(millions of dollars)

Country	No.of Projects	Allocation
Ex-Belgium Africa		
Congo (Léopoldville)	14	14.631
Burundi	11	3.133
Rwanda	10	4.844
Ex-French Africa		
*Algeria	9	20.427
Fed. Republic of Cameroun	26	44.406
Central African Republic	24	14.225
Congo (Brazzaville)	16	15.785
Ivory Coast	17	31.377
**French Somaliland	2	1.367
Dahomey	18	18.658
Gabon	14	13.336
Upper Volta	11	25.948
Malagasy Republic	39	50.773
Mali	24	32.644
Mauritania	10	12.336
Niger	6	24.731
Senegal	19	34.606
Chad	17	24.956
Togo	17	13.408
Joint Projects (Africa)	3	7.142
Ex-Italian Africa		
***Somalia	4	5.060
Total	311	413.793

* Algeria received some allocations of aid from FED before its independence; it is not included in the new fund of $730 million for the Eighteen Associated African States.

** French Somaliland received two small allocations from FED; it is not included in the new fund of $730 million for the Eighteen Associated African States, but presumably will receive small allocations from the remaining $70 million available to the FED by the Six.

*** The Comoro Islands and the Island of Reunion in the Indian Ocean off the coast of Africa are not included because in common as well as official usage those territories are not ordinarily included in the term <u>l'Afrique de l'expression française</u>.

TABLE IV

EUROPEAN DEVELOPMENT FUND (FED)

ACTUAL ALLOCATION OR COMMITMENT OF FUNDS
AS OF DECEMBER 31, 1963 BY SECTORS
(in millions of dollars)

Social Sectors	No. of Projects	Allocation
1) Education and Vocational Training	69	75.678
2) Health	48	39.230
3) Water Development	18	14.959
4) Urban Development	14	11.847
5) Studies and Research	26	13.730
6) Others, Miscellaneous	9	9.417
Total	184	162.861
Economic Sectors	**No. of Projects**	**Allocation**
1) Transportation and Communications	110	210.760
2) Agriculture and Animal Breeding	45	82.693
3) Studies and Research	5	2.700
Total	160	296.153
Grand Total	344	459.014

Source: Fonds Europeen de Développement - (F.E.D.) -- Financement et execution des projets arretes a la date du 31 decembre, 1963, C.E.E., Brussels, 1964.

APPENDIX V - EEC - AASM TRADE STATISTICS (1958 - 1963)

TABLE I

EXPORT AND IMPORT TRADE 1962
(millions of $)

States	Total Imports	Total Exports
Burundi	---	---
Cameroon	101.8	103.4
Central African Republic	25.2	14.2
Chad	29.1	16.5
Congo (Brazzaville)	69.8	35.1
Congo (Leopoldville)	170.8	120.6
Dahomey	26.8	10.9
Gabon	38.8	58.7
Ivory Coast	146.5	181.2
Madagascar	121.6	94.3
Mali	45.8	10.0
Mauritania	35.7	2.8
Niger	27.5	14.5
Rwanda	---	---
Senegal	154.8	124.2
Somalia	32.2	26.3
Togo	27.1	17.2
Upper Volta	34.7	7.9
Total	1086.2	883.9

Deficit -- $252.1 million.

Source: An Association of free peoples, Paris, 1962.

TABLE II

EEC TRADE WITH THE AASM [1]

in million u.a.

Origin and Destination	1963			1964		
	Import	Export	Balance	Import	Export	Balance
Cameroon	119	70	-49	140	82	-58
Madagascar	62	85	+23	67	94	+27
Mali	6	14	+ 8	3	14	+11
Niger	19	14	- 5	23	17	- 6
Chad	15	13	-22	17	15	- 2
Senegal	118	130	+12	123	129	+ 6
Ivory Coast	197	138	-59	218	162	-56
Central African Republic	10	16	+ 6	16	18	+ 2
Gabon	71	28	-43	86	32	-54
Congo (Brazza.)	33	42	+ 9	34	46	+12
Congo (Léo.)	268	79	-189	318	115	-203
Rwanda-Burundi	5	9	+ 4	7	9	+ 2
Somalia	23	15	- 8	16	18	+ 2
Togo	17	12	- 5	26	17	- 9
Mauritania	12	20	+ 8	38	12	-26
Upper Volta	3	16	+13	3	18	+15
Dahomey	13	24	+11	13	23	+10
	991	725	-266	1148	821	-327

[1] Note: The figures given in this chapter refer to trade with AASM and with the Overseas Countries and Territories.

Source: Eighth Annual Report of the Activities of the Community, June, 1965, p. 280.

TABLE III

THE AASM SHARE IN TOTAL IMPORTS
(imports in '000 tons; AASM share as %)

		1958	1960	1963	% Variation between 1958 and 1963 figures
Coffee	Total	527.4	6.815	707.1	+34
	AASM %	32	29	28	+16
Cocoa	Total	237.3	296.2	352.5	+49
	AASM %	35	34	40	+74
Bananas	Total	950.0	1017.7	1135.0	+19
	AASM %	25	20	26	+26
Groundnuts	Total	745.5	616.7	848.1	+14
	AASM %	60	51	40	-25
Groundnut oil	Total	162.3	170.6	191.7	+18
	AASM %	60	66	63	+25
Palm kernels	Total	397.5	396.3	356.8	- 8
	AASM %	37	34	30	-27
Palm oil	Total	250.4	266.3	262.6	+ 5
	AASM %	53	49	47	+ 7
Tropical woods	Total	1963	2831	3289	+68
	AASM %	62	58	64	+72
Cotton	Total	888.3	1145.4	947.5	+ 7
	AASM %	8	6	6	-18
Rubber	Total	389.5	423.4	441.9	+13
	AASM %	5.5	5	5	+ 8
Copper	Total	905.3	1181.9	1168.5	+29
	AASM %	24	24	20	+10

Source: Eighth Annual Report of the Activities of the Community, June, 1965, p. 281.

TABLE III
(continued)

The following remarks are called for:

(1) The AASM provide a high proportion of EEC imports of tropical foodstuffs, tropical woods and copper.

(2) Other EEC associates (overseas territories and departments) also supply fairly substantial quantities of some products. For instance, the AASM provided 26 per cent of the EEC's banana imports in 1963 whereas the share of all overseas associates in the total amount imported was 44 per cent.

(3) The AASM's share in EEC imports has varied from year to year. From 1958 to 1963 it rose in the case of cocoa, bananas, groundnut oil and tropical woods and decreased in that of coffee, groundnus, palm kernels, palm oil, cotton, rubber and copper; the rates of growth and decline have been lower and higher respectively than those of EEC imports as a whole; imports of groundnuts, palm oil and cotton from the AASM have fallen in absolute terms although the EEC total has increased.

There are several possible reasons for the decline in imports from the AASM:

(a) Imports by the Member State which buys most from the AASM may account for a relatively smaller share in the EEC total. French imports of coffee, for instance, have expanded less rapidly than those of other Member States;

(b) a temporary decline in exports from the chief supplier as in the case of Senegal groundnuts;

(c) the situation in the Congo (Leopoldville), whose exports as a whole have fallen, thus reducing the AASM's contributions to EEC imports of nuumberous products (coffee, palm kernels, palm oil, cotton, rubber and copper);

(d) the possible incidence of more extensive processing of primary products by the AASM. While this is an important and desirable trend, its effects on oil seeds and fruit (the primary products which concern us here) do not appear to have been as decisive during the period under review as the three foregoing factors.

TABLE IV

EEC TRADE WITH THE DEVELOPING COUNTRIES AND TERRITORIES (1)

Origin	EEC Imports				Destination	EEC Exports				EEC Trade balance with	
	Category 2 countries		AASM			Category 2 countries		AASM		Category 2 countries	AASM
Year	Value	Index	Value	Index	Year	Value	Index	Value	Index	Value	Value
1958	6 824	100	914	100	1958	6 125	100	712	100	- 699	-202
1959	6 669	98	854	93	1959	5 926	97	585	82	- 743	-269
1960	7 485	110	952	104	1960	5 738	110	603	85	- 747	-349
1961	7 575	111	941	103	1961	6 765	110	673	95	- 810	-268
1962	8 163	120	930	102	1962	6 197	101	666	94	-1971	-264
1963	8 822	129	989	108	1963	6 355	104	726	102	-2467	-263
1964	9 831	144	1147	125	1964	6 889	112	820	115	-2942	-327

Source: Statistical Office of the European Communities (Table 8, Monthly Statistics, 1965, No.2).

APPENDIX VI - TRADE STATISTICS (1963 - 1965)

TABLE I

COMPARISON OF EEC TRADE WITH THE ASSOCIATED STATES FOR THE FIRST NINE MONTHS OF 1964 AND 1965

Associated States	EEC Imports from the Associated States			EEC Exports to the Associated States		
	9 mths. 1964	9 mths. 1965	As % of 1964	9 mths. 1964	9 mths. 1965	As % of 1964
Senegal	101 641	105 707	104	91 790	87 456	95
Mali	2 211	753	34	10 969	9 675	88
Mauritania	27 027	39 339	146	8 428	10 617	126
Ivory Coast	171 914	160 583	93	115 960	115 517	100
Dahomey	10 866	10 652	100	15 912	16 386	103
Upper Volta	3 254	11 607	49	13 028	13 575	104
Niger	19 759	16 866	86	11 389	12 379	108
Congo (Brazza.)	25 144	22 581	90	33 522	33 376	101
Gabon	62 207	64 085	103	23 524	26 167	111
Central African Republic	10 494	7 245	69	13 438	11 557	86
Chad	13 350	8 934	67	11 182	8 513	76
Cameroon	103 656	100 487	97	56 628	60 604	107
Madagascar	49 476	38 299	78	69 988	59 688	85
Togo	18 968	21 425	113	12 192	16 695	137
Congo (Léo.)	237 833	235 435	99	82 584	87 220	105
Rwanda Burundi	4 302	5 572	130	6 384	9 063	141
Somalia	13 909	21 832	157	13 081	12 134	93
Total	876 011	861 332	98	589 999	591 002	100
EEC world trade	33 092 958	35 588 879	108	30 945 328	34 764 934	112
Share of Associated States in EEC world trade (%)	2.6	2.4		1.9	1.7	

Source: Ninth General Report on the Activities of the Community, June, 1966, p. 254

TABLE II

REDUCTION OF THE COMMON EXTERNAL TARIFF
FOR CERTAIN TROPICAL PRODUCTS

Description	Old rate	New rate	Percentage of reduction
Coffee, not roasted, not freed of caffeine	16	9.6	25% and 15% (suspended)
Cocoa beans, whole or broken, raw or roasted	9	5.4	25% and 15% (suspended)
Tea other than packed in containers of not less than 3 kg.	18	10.8	25% and 15% (suspended)
Fresh pineapples	12	9	25%
Cloves (whole fruit cloves and stems) neither broken nor ground	20	15	25%
Cocoanuts (dehydrated pulp)	5	4	20%
Vanilla	15	11.5	25%
Nutmeg, neither broken nor ground, other than for the industrial manufacture of essential oils or resinoids	20	15	25%
Pepper, neither broken nor ground	20	17	15%

Source: EEC Document No. 2.227/p1/65-E, 1965.

APPENDIX VII - SECOND EUROPEAN DEVELOPMENT FUND

TABLE I

EUROPEAN DEVELOPMENT FUND CONTRIBUTIONS
(in millions of dollars)

Country	Contribution	Percentage
Belgium	69.0	9.45
France	246.5	33.75
West Germany	246.5	33.75
Italy	100.0	13.7
Luxembourg	2.0	0.3
Total	730.0	100.00

Source: A. Rivkin, op. cit., p. 57.

TABLE II A

PLANNED ALLOCATION OF EUROPEAN DEVELOPMENT FUND
(in millions of dollars)

	Grants	Special Loans	Total
1. African Associated States	620	46	666
2. Dependent Countries and Territories	60	4	64
Total	680	50	730

TABLE II B

PLANNED ALLOCATION OF EUROPEAN INVESTMENT BANK LOANS
(in millions of dollars)

1. African Associated States	64	
2. Dependent Countries and Territories	6	
Total	70	
1. Total Allocation to African Associated States		730
2. Total Allocation to Dependent Countries and Territories		70
Grand Total of Assistance		800

TABLE III

AID FOR PRODUCTION AND DIVERSIFICATION*
(All figures expressed in millions of dollars)

Country	Amount of Aid
Cameroun	15.8
Central African Republic	6.8
Chad	5.7
Congo (Brazzaville)	6.4
Dahomey	5.5
Ivory Coast	46.7
Madagascar	31.6
Mali	5.6
Niger	6.5
Senegal	46.7
Togo	5.7
Total	183.0

* This aid of $183 million is for countries which were assisted to increase the output of their commodities, and at the same time introduce new products.

TABLE IV

AID FOR DIVERSIFICATION*
(All figures expressed in millions of dollars)

Country	Amount of Aid	
Burundi	5.25	
Congo (Leopoldville)	15.00	
Rwanda	5.25	
Somalia	6.50	
Subtotal		32.00
Gabon	4.00	
Mauritania	5.00	
Upper Volta	6.00	
Subtotal		15.00
Total		47.00

Source: A. Rivkin, op. cit., p. 23.

* This aid of $47 million was granted to the above countries to assist them cultivate and introduce new crops.

TABLE V

COMMITMENTS SHOWN ACCORDING TO BENEFICIARY COUNTRY

	No. of projects	Ceiling of commit-ments at 31.12.65.	Expendit-ure up to 31.12.65.
A. Associated States			
Burundi	11	4 921	2 763
Cameroun	27	52 796	24 786
Central African Republic	27	18 217	6 569
Congo (Brazzaville)	18	24 622	16 430
Congo (Léopoldville)	16	19 617	7 506
Ivory Coast	19	39 662	24 600
Dahomey	18	20 777	9 203
Gabon	15	17 780	10 985
Upper Volta	13	28 233	15 853
Madagascar	40	56 265	37 146
Mali	25	41 953	26 253
Mauritania	11	15 379	10 280
Niger	8	31 291	13 497
Rwanda	10	4 946	3 107
Senegal	24	43 834	25 546
Somalia	6	9 912	6 872
Chad	19	27 924	20 256
Togo	18	15 935	8 345
Total A.	325	474 064	269 997
B. Associated countries and territories, French overseas department			
Algeria	9	25 319	6 058
Netherlands Antilles	9	11 258	--
Comoro Islands	7	3 077	2 367
French Somaliland	2	1 199	846
Guadeloupe	5	4 491	1 912
French Guiana	1	1 863	1 657
Martinique	4	6 720	3 384
New Caledonia	5	2 167	467
Netherlands New Guinea	4	5 185	4 045
French Polynesia	1	4 261	--
Réunion	5	8 861	2 030
St. Pierre and Miquelon	1	3 545	2 200
Surinam	9	15 691	2 783
Total B.	62	93 637	27 749
Total A. + B.	387	567 701	297 746
Technical Control, etc.	--	13 549	8 231
First EDF Total	387	581 250	350 977

Source: Ninth Annual Report of the Activities of the Community, June, 1966, p. 261.

APPENDIX VIII - AFRICAN TRADE (1957)

TABLE I

PRINCIPAL DESTINATIONS OF AFRICA EXPORTS BY MONETARY AREAS
1957

From	To	Percentage of total trade
1. African Countries in sterling area	Sterling area	56.5
2. Algeria, Morocco, Tunesia	Franc area	74.3
3. French Community	Franc area	74.4
4. Congo	Belgian-franc area	47.7
5. Angola and Mozambique	Portugal	27.1

Source: United Nations, Economic Survey of Africa Since 1950, Soc. E/CN/14/28, 1959, pp. 176 - 179.

TABLE II

TRADE AMONG AFRICAN COUNTRIES 1950 - 1957

Country	Percentage of Total Trade
Algeria	7.4
Angola	4.7
Belgian Congo	6.1
Ethiopia	4.8
French Equitorial Africa	9.7
French West Africa	10.4
Ghana	4.2
Kenya, Uganda, Tanganyika	6.0
Madagascar	7.0
Morocco	7.6
Nigeria	1.0
Rhodesia and Nyasaland	26.9
Sierra Leone	2.2
Sudan	13.2
Tunisia	6.0
Union of South Africa	74.4

Source: United Nations, Economy Survey of Africa Since 1950, pp. 176 - 179.

TABLE VI

COMMITMENTS AT END FEBRUARY, 1966

Beneficiaries	Economic and social investments	Aid to diversification	Aid to production	Technical assistance linked with investment	General technical co-operation	Emergency aid	Total	Advances to price Stabilization Funds
A. Associated States								
Burundi	320	2 200	--	1 473	--	--	3 993	--
Cameroon	11 019	749	--	165	--	--	16 305	6 076
Central African Republic	5 262	--	3 668	794	150	--	9 874	--
Congo (Brazza.)	3 403	4 420	--	290	--	--	8 113	--
Congo (Léo.)	6 445	--	--	418	1 506	--	8 369	--
Ivory Coast	211	34 814	--	28	--	--	35 053	--
Dahomey	2 479	--	1 027	473	2	--	3 981	--
Gabon	--	--	--	2 378	--	--	2 378	--
Upper Volta	1 467	--	--	1 108	30	--	2 605	--
Madagascar	31 913	284	8 552	785	66	--	41 600	--
Mali	4 435	41	1 195	957	--	--	6 628	--
Mauritania	10 092	1 357	--	35	--	--	11 484	--
Niger	6 272	--	2 030	345	--	--	8 647	--
Rwanda	900	4 448	--	1 246	15	--	6 609	--
Senegal	514	1 025	19 528	81	--	--	21 148	--
Somalia	6 419	--	--	458	1 068	1 850	9 795	--
Chad	18 228	--	2 985	969	--	--	22 182	--
Togo	1 013	--	991	633	--	--	2 637	--
B. Associated Countries, and territories, French overseas departments								
Netherlands Antilles	3 065	--	--	--	--	--	3 065	--
Comoro Islands	223	--	--	154	--	--	377	--
French Somaliland	606	--	--	16	--	--	622	--
Guadeloupe	375	--	--	--	--	--	375	--
Surinam	--	--	--	188	--	--	188	--
Aid not distributed	--	--	--	5 424 (1)	8 557 (2)	--	13 981	--
Grand Total	114 661	49 338	44 348	18 418	11 394	1 850	240 009	6 076

TABLE VI
(continued)

(1) refers to the part of the two overall amounts (5m. and 4m. units of account) which have not yet been used by the EDF's principal Certifying Officer to finance surveys or supervision of works.

(2) This consists mainly of the overall totals allocated under the leasing of scholarship, traineeship, seminar and information programmes which it is not possible to break down as between the beneficiary States and countries.

Source: Ninth Annual Report of the Activities of the Community, June, 1966, pp. 262 - 263.

APPENDIX IX - BRITISH AID

TABLE I

SUMMARY OF BRITISH OFFICIAL DISBURSEMENT OF ECONOMIC AID
(£ million)

	1961	1962	1963	1964	1965
Financial Aid					
Grants	58.1	56.5	51.4	57.9	61.2
Loans	83.0	71.4	72.7	94.2	84.1
Technical Assistance (a)	17.4	21.5	23.8	25.3	31.7
Total Bilateral	158.4	149.4	147.8	177.4	177.1
Contributions to Multilateral Agencies	14.1	14.2	15.5	15.6	18.6
Total British Official Aid	172.5	163.6	163.3	193.0	195.7

Source: Ministry of Overseas Development. Statistics of Official Economic Aid to Developing Countries. June, 1966.

TABLE II

DISBURSEMENTS OF OFFICIAL BILATERAL ECONOMIC AID BY TYPE OF AID
(in thousand)

	1964			1965		
	Grants	Loans	Techn. Assist-ance	Grants	Loans	Techn. Assist-ance
A. Commonwealth						
Europe and Middle East	9,556	3,202	704	15,246	1,548	565
Africa	28,459	34,602	16,032	27,761	29,711	19,796
Central and South America	5,721	1,848	913	4,024	3,132	1,310
Asia	5,433	44,975	3,300	6,564	37,359	3,595
Oceania	1,921	43	661	2,410	60	925
General (unallocated)	1,027	--	1,955	147	--	2,811
Total Commonwealth	50,063	84,670	23,565	55,858	71,810	29,000
B. Foreign						
Europe and Middle East	2,534	4,129	647	2,825	7,538	823
Africa	3,744	1,900	145	1,158	2,124	424
Central and South America	36	3,194	179	32	2,135	553
Asia	1,453	258	687	1,309	529	761
General (unallocated)	40	--	58	57	--	141
Total Foreign	7,808	9,561	1,714	5,382	12,326	2,704
Total Commonwealth	50,063	84,670	23,565	55,858	71,810	29,000
Total Commonwealth and Foreign	57,871	94,231	25,279	61,240	84,135	31,704.

Source: Ministry of Overseas Development, op. cit., pp. 20 - 23.

The U.K. has usually declared itself in favour of untied aid in international discussions, but its own assistance programmes are tied to a considerable degree. Loans made under section 3 of the EGA (Export Guarantees Act.) are only available for the purpose of U.K. goods. This means thatmuch of the assistance, which figures on the debit side of the balance payments, comes back to the U.K.

APPENDIX X - FRENCH AID

TABLE I

DISTRIBUTION OF AID BY SECTORS

	1956	1957	1958	1959	1960	1961	1962
Aid from public sector	234	295	318	300	306	339	358
- of which bilateral	227	292	307	288	280	313	316
- of which multilateral	7	3	11	12	26	26	42
Aid from the private sector	166	137	136	154	159	165	146
- of which bilateral	166	136	136	153	156	165	146
- of which multilateral	0	1	0	1	3	0	0
Total Aid (public and private)	400	432	454	454	465	504	504
Public Aid as per cent of total aid	58.6	68.2	70.1	66.2	65.7	67.3	71

Source: French Aid, The Jeanneney Report, 1963, p. 25.

TABLE II

GEOGRAPHICAL DISTRIBUTION OF FRENCH BILATERAL AID 1961
(£ million)

	Public and Private		Private only	
	£	%	£	%
Franc Zone Countries	409	85.9	303	97.0
Overseas territories and departments	37	7.8	35	11.2
Algeria	231	48.4	156	50.1
African and Malagasy States	122	25.5	99	31.7
Morocco	17	3.6	10	3.2
Unallocated	2	0.6	2	0.8
Countries outside Franc Zone	67	14.1	9	3.0
Cambodia, Laos, South Vietnam	5	1.1	4	1.2
Others	62	13.0	6	1.8
Total	476	100.0	312	100.0

Source: French Aid, The Jeanneney Report, 1963, p. 25.

TABLE III

DISTRIBUTION OF FRENCH TECHNICAL ASSISTANCE PERSONNEL 1963.
(£million)

Africa	43,629
North Africa	32,928
Black Africa and Madagascar	10,399
Rest of Africa	302
Rest of World	2,492
Asia-Oceania	1,215
Near East	452
Latin America	563
Total	46,121

Source: The Jeanneney Report, 1963, p. 33.

The motives which prompt France to be so generous with aid are complex. There seems little doubt that, despite the advantages which some sectors of the French economy derive from French aid programmes, aid is a considerable burden to France as a whole. The possible motives may be that aid to Algeria is linked with French interests in Saharan oil and in nuclear testing sites; that aid to Morocco, Tunisia and the African and Malagasy States, is linked to the treatment these countries offer French business and French residents. Political motives are also important, however, since France influences the foreign policy of at least the African and Malagasy States, by means of explicit agreement that France shall be consulted before any important international meeting, and before important votes are to be taken in the U.N.

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